

Baker Begins Hiring France A White House Staff Tightens Security

By David Hoffman
Washington Post Service

WASHINGTON — President Ronald Reagan's new chief of staff, Howard H. Baker Jr., is moving quickly to bring a fresh team into the White House, according to Republican sources.

The president, meanwhile, said that he was "wasting no time preparing for another two years of aggressive work" following the critical report of the Tower review board on the Iran-contra affair.

Two longtime associates of Mr. Baker, Thomas C. Griscom, who served as Mr. Baker's press secretary in the Senate, and A.B. Culverhouse, a partner with Mr. Baker in the law firm of Vinson & Elkins, are expected to join him at the White House, the Republican sources said Saturday.

They said Mr. Baker was expected to quickly replace the chief aides of Donald T. Regan, who resigned as chief of staff Friday, the day after the Tower report was made public.

In internal discussions Saturday, a tentative strategy emerged for President Reagan's planned mid-week television speech responding to the report. The address is expected to be relatively short and have a personal tone, acknowledging his error in allowing the secret sale of arms to Iran, from which proceeds were diverted to the Nicaraguan rebels.

An official said that Mr. Reagan would not go so far as to admit flaws in his management style of delegating much authority to subordinates, but that he would concede the gravity of the mistakes that he made in the Iran affair.

This official said Mr. Reagan might acknowledge, as he has not

before, that the Iran policy became a trade of arms for hostages. Vice President George Bush made that acknowledgment Friday.

Mr. Reagan will emphasize his future course, officials said, and will note that he has already implemented some recommendations of the report. The address is being written by a former presidential speechwriter, Landon Parvin, who in recent days has consulted frequently about it with Mr. Reagan's wife, Nancy Reagan, the officials said.

Mr. Reagan's address is being described by aides as a first critical step toward repairing his credibility. His public standing has plummeted since the Iran-contra affair came to light in November.

One of Mr. Reagan's close friends, former Senator Paul Laxalt of Nevada, predicted Sunday that the president would abandon his relaxed management style in favor of a "hands-on management style" because of the Tower commission report.

"The days of hands-off policy in connection with serious policy matters are over for Ronald Reagan," Mr. Laxalt said on a television interview program. He added: "I think he's learned a very forceful lesson; he'll respond to it."

A poll released Saturday by Newsweek magazine showed that only 40 percent of those questioned approved of Mr. Reagan's leadership, an all-time low for him. One-third of those questioned said Mr. Reagan should consider stepping down, while two-thirds said he should not.

Mr. Griscom, who also served as executive director of the National Republican Senatorial Committee, said BAKER, Page 5

Life Sentence For Terrorist Stuns Courtroom

By Julian Nundy
International Herald Tribune

PARIS — More than 3,000 policemen were ordered to remain on alert Sunday in Paris after Georges Ibrahim Abdallah was sentenced to life imprisonment for complicity in the murders of a U.S. military attaché and an Israeli diplomat.

The verdict Saturday stunned many of the court officials and spectators in the Paris courtroom. The prosecutor, Pierre Bacchion, had requested a sentence of 10 years, citing fears of a renewed bombing campaign in Paris and the safety of French hostages in Lebanon. At least five Frenchmen are known to be held captive in Lebanon.

The prosecutor's appeal was believed to have resulted from pressure by the government of Prime Minister Jacques Chirac, which was concerned that a heavy sentence would result in terrorist reprisals.

The government ordered army units to assist in tightening security at airports and border crossings. Interior Minister Charles Pasqua, whose office oversees the police, has postponed a trip to Africa.

Following the sentencing, Jacques Vergès, Mr. Abdallah's lawyer, said his client would not appeal. "France will keep Georges," he said. See FRANCE, Page 5



Secretary of State George P. Shultz and China's foreign minister, Wu Xueqian, drink a toast Sunday in Beijing.

Shultz to Ask Chinese About Soviet Overtures

By Daniel Southerland
Washington Post Service

BEIJING — Even as the U.S. secretary of state, George P. Shultz, arrived in Beijing on Sunday, the Soviet Union was reported to be preparing new diplomatic initiatives toward China.

East European sources said the latest concrete sign of a diplomatic overture by Mikhail S. Gorbachev was the recent renewal of an invitation to Prime Minister Zhao Ziyang to visit Moscow. Mr. Zhao is also acting leader of China's Communist Party.

Western diplomats said the Chinese had replied that too many problems remained unresolved in Chinese-Soviet relations for Mr. Zhao to visit Moscow at this time. The diplomats said Mr. Shultz had placed Chinese-Soviet relations high on his list of subjects to discuss with the Chinese when he talks begin Monday. Mr. Shultz will leave China on Friday.

Diplomats said it was highly unlikely that Mr. Zhao would stop in Moscow, as the Soviet leadership would like, in the course of a trip to five East European countries between June 4 and 22. Mr. Zhao plans instead to stop in Thailand and Pakistan, the diplomats said.

These stopovers will give him a chance to ally concerns that the West might have about China's diplomatic direction as a result of the recent turmoil in China and Mr. Zhao's East European tour.

According to some observers, Mr. Zhao is likely to give the Thais and Pakistanis strong assurances that China is not modifying its tough anti-Soviet stance on the issues that most concern them — Indochina and Afghanistan.

Still, Western diplomats said that the Chinese had been "modestly positive" in describing the outcome of the two-week Chinese-Soviet border talks that ended in Moscow on Feb. 23.

A Chinese source said, "A certain progress was made." The official Soviet line on relations with China has been consistently optimistic in recent months.

"The Soviets want to move things forward, and they want to do something to appease the Chinese," an East European source said. "The Chinese are now emphasizing ideology more, and the Soviets feel this creates more common ground."

The source said that the Soviet leadership appeared to be considering making concessions to the Chinese on the toughest of the issues

U.S., Soviet to Meet On Gorbachev's Offer Of a Missiles Accord

U.S. Expects Some Obstacles

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — Mikhail S. Gorbachev's proposal to reach a separate agreement on medium-range nuclear missiles opens the door to meaningful negotiations but leaves unresolved some disagreements that could block quick progress toward a treaty, according to U.S. officials and arms control experts.

Mr. Gorbachev indicated in his statement in Moscow on Saturday that the Soviet proposals for a speedy deal on medium-range missiles would be derived from the tentative bargain he struck with President Ronald Reagan last fall at the Reykjavik summit meeting.

That called for dismantling Soviet SS-20 missiles aimed at Western Europe, as well as U.S. Pershing-2 and ground-launched cruise missiles deployed in Western Europe and aimed at the Soviet Union.

The bargain would have permitted each side to retain up to 100 medium-range missile warheads, which the Soviet Union could deploy in its Asian region and the United States would be able to keep on its territory.

Left unresolved in Iceland, however, were numerous additional issues, including the timing of the missile reductions in Asia and Western Europe, the location of remaining missiles and measures to verify treaty compliance. U.S. and Soviet negotiators in Geneva have failed to settle these issues.

Although Mr. Gorbachev's statement hinted at several potential Soviet concessions, one U.S. official said he "would be surprised if all of the obstacles to an agreement were to disappear."

U.S. experts said the concessions appeared to involve Mr. Gorbachev's acceptance of potential U.S. deployment of medium-range missiles anywhere within U.S. "national territory" and Soviet agreement that the number of SS-20 missiles in the Asian region would be reduced "within the same period" as SS-20s aimed at Western Europe.



Mikhail S. Gorbachev

Previously, Soviet negotiators insisted that the U.S. missiles had to be deployed somewhere in the 48 contiguous states, while the Reagan administration wanted the right to deploy them in Alaska, although it says it has no plans to do so. Moscow also previously said its Asian SS-20s might not be reduced until years after those within range of Western Europe.

U.S. officials said other areas of longstanding disagreement in the arms negotiations were apparently not addressed in Mr. Gorbachev's statement.

These included a plan for reducing the number of Soviet missiles with ranges shorter than the SS-20 and a plan for monitoring suspected sites of missile production or deployment.

The United States has proposed, for example, a stiff treaty provision enabling each side to conduct a limited number of on-site inspections of suspected locations in the other country, which the Soviet Union is expected to resist.

Objections to this provision have also been registered in all five West European countries in which U.S. missiles are deployed, on grounds that such inspections would reveal too much about military capabilities. Thus, the draft U.S. treaty to be introduced in Geneva this week

Plan Deals With Europe

Compiled by Our Staff From Dispatches

GENEVA — U.S. and Soviet negotiators will meet Monday in special session to discuss Mikhail S. Gorbachev's announcement that the Soviet Union was willing to sign "without delay" an agreement to eliminate medium-range nuclear missiles from Europe within five years.

The Soviet leader's statement Saturday was cautiously welcomed in Washington, where U.S. officials expressed hope that the two sides could move quickly to conclude an arms accord.

West European leaders generally supported the Gorbachev proposal. Mr. Gorbachev's offer, ending Soviet insistence that intermediate nuclear forces be considered part of a comprehensive package, was the first major arms control development since the summit meeting in Iceland in October.

Foreign diplomats said the Soviet offer might revive prospects for another U.S.-Soviet summit meeting in the United States.

The Soviet offer came two days after an inquiry panel in Washington issued a report critical of President Ronald Reagan and his advisers in the Iran-contra affair. It was not immediately clear what Mr. Gorbachev's motive might be in holding out the prospect of an arms accord at a time when Mr. Reagan was on the defensive.

Mr. Gorbachev said his offer was being placed before the negotiators at the Geneva arms talks. Spokesmen for both delegations said a special session would be held Monday. The current round had been scheduled to end Wednesday.

Mr. Gorbachev, who made his offer in a statement issued through the official press agency, Tass, said the Soviet Union was prepared to sign an agreement identical to one he and Mr. Reagan tentatively agreed on in Reykjavik.

"The Soviet Union suggests that the problem of medium-range missiles in Europe be singled out from

A New Question Arises: Will Reagan Survive?

By Haynes Johnson
Washington Post Service

WASHINGTON — Early last week, before the scathing Tower commission report further undermined the Reagan presidency and before the dramatic announcement of a White House shake-up aimed at saving it, the president invited the nation's governors to the executive mansion.

"It was a little unreal," said one of the governors immediately after.

NEWS ANALYSIS

ward. "It was very hard to tell what's really been going on. I just feeling I wished he was more concerned about what's been happening. I wished that he wasn't always smiling and waving. When we saw him in the White House, he was just very unconvincing. He seemed so unconcerned. It was like he was living in the past, like he's still governor or something. It was eerie."

That sense of the past, or of something historic passing, pervaded Washington over the weekend as another president battled to save another battered presidency.

Washington and the nation have been through this political trauma repeatedly in recent administrations. But seldom has a powerful presidency been shaken so swiftly as Ronald Reagan's. Hardly ever has a presidency been brought to a crisis state virtually overnight, as occurred last week.

Until last week, the question was whether Mr. Reagan would be able to put the Iran-contra arms scandal behind him. Now thoughtful people ask whether he can survive politically.

In effect, the Reagan government has fallen, and a new one will be assembled in the White House by Howard H. Baker Jr., the former

Senate majority leader. Whether President Reagan can withstand the storm is uncertain.

Thursday's Tower commission report, which documented mismanaged, chaotic and possibly illegal White House operations, could easily be followed in months to come by other damaging official revelations about the Reagan presidency.

"The real question now," said a longtime presidential adviser, Clark M. Clifford, "is where is the rest of the story going to lead? In my opinion, the Tower report is not the end of this business. It is just the beginning."

Already, three months of the Iran-contra affair have produced a fundamental shift of power in Washington.

"We are witnessing a massive shift of power from the president to Congress," said James R. Schlesinger, former defense secretary and director of the Central Intelligence Agency. "While the president is certainly not powerless, I do not believe he is going to regain control over the national agenda."

Others interviewed before and after release of the Tower report agreed with that assessment. They included present and former high-ranking officials from both parties, members of Congress, key political operatives and pollsters.

They also agreed on other general points about the present volatile situation involving the president and on some of the political implications for the future:

- That Mr. Reagan's presidency, the most popular and perhaps the most powerful of the era, has been severely and perhaps irreparably damaged.
- He's blown it; it's passed," said Norman J. Ornstein, a political sci-

RELATED ARTICLES



Robert Gates is expected to withdraw as Ronald Reagan's nominee as CIA director. Page 4.

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entist at the American Enterprise Association research organization. "This is now a quantum leap from the problems he had before. He can recruit a decent new team for the White House and minimize failures and even achieve some successes, but he will not be the president he was."

- That Mr. Reagan's hold on political events has been badly shaken, if not broken.
- That it is no longer even a

See PRESIDENT, Page 3

Brazil Minister Continues Mission on Debt

Compiled by Our Staff From Dispatches

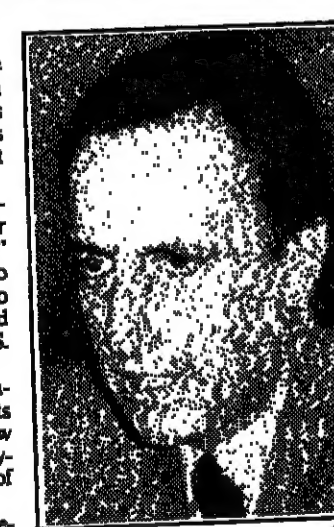
LONDON — Brazil's finance minister, Dilsen Fumaro, arrived in London on Sunday to continue his mission of explaining why his country has suspended interest payments on bank debt.

Mr. Fumaro arrived from Washington, where he called for "streamlined financial machinery" to ensure long-term capital flows to debtor nations. But he said that no new financial arrangement had been worked out in talks with U.S. officials.

On Feb. 20, Brazil suspended interest payments on \$68 billion of its \$109 billion foreign debt. A few days later, it changed the repayment methods on \$15 billion of short-term credits.

"We had to do what we did because the mechanism of finance is not running well," Mr. Fumaro said in London, where he was to meet the chancellor of the exchequer, Nigel Lawson, and officials of the Bank of England on Monday before traveling on to France, West Germany, Switzerland and Italy.

Mr. Fumaro's tour of foreign capitals can properly be described



Dilsen Fumaro

as a mission. It comes as a number of Third World debtors, including the Philippines, Argentina, Venezuela and Mexico, are resuming or concluding talks aimed at restructuring their massive foreign debts. [Philippines story, Page 7.]

His message, which he will repeat over and over in the next few days, is that Brazil was forced to suspend interest payments on most of its foreign debt not because of domestic policies but because of faulty "international financing mechanisms."

He blames those "faulty mechanisms" for the repeated need by other Third World debtors to "temporarily" restructure their debts to foreign banks, and he resists this solution for Brazil.

Instead, he is trying to negotiate more fundamental changes in the international monetary system with the United States and other industrial powers before sitting down with the country's commercial creditors.

After the talks in Washington, during which he met with the Federal Reserve Board chairman, Paul A. Volcker, and the Treasury secretary, James A. Baker 3d, Mr. Fumaro said that Brazil would not have suspended interest payments if it had received more and faster financing from official lending agencies, such as the World Bank.

"It's a question of why the official lending agencies don't finance a little bit more quickly and easily," he said in an interview in Washington.

Pressed on how long the payment suspension would last, he said: "It all depends on what kind of financing we are going to receive from the other side."

He added: "Only if the financial mechanisms improve, if they become more flexible, and if nations like ours do not have to wait six months for their refinancing, would this sort of thing not happen."

He said Brazil had paid \$44 billion to the World Bank and other lending agencies and commercial banks in the past four years, and had received only \$11 billion in loans.

"Something is wrong with the system," he said. "Some mechanism has to be found to finance a country like Brazil."

He did not specify what steps he had in mind but indicated he would like to see "automatic" official lending when needed so that Brazil

See BRAZIL, Page 5

LATE NEWS

Ski Lift Fails, Kills 6 in France

LUZ-ARDIDEN, France (UPI) — A ski-lift accident at a resort in the Pyrenees killed six persons Sunday and injured more than 70, police said.

Police said the cable of the main chair lift at Luz-Ardiden came loose from its pulley, spilling skiers from the chairs to the ground. Some landed on snow and others hit rocks.

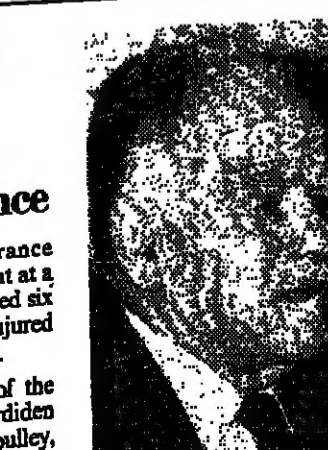
They said all 50 chairs of the lift, which can carry up to 200 people, crashed to the ground. Some fell from as high as 60 feet (20 meters).

INSIDE TODAY

New Libyan Official

Agence France-Press

PARIS — Libya's General People's Congress, or legislature, appointed a new government Sunday headed by Umar el-Montasar as congress secretary, the Libyan press agency JANA said.



Yitzhak Shamir said Sunday that a dispute over a peace conference threatened Israel's government. Page 2.

GENERAL NEWS

■ Reforms in the Soviet Union have spawned a corps of "newly

discontented." Page 5.

BUSINESS/FINANCE

■ India's economy has achieved

solid growth, but problems are arising. Page 7.

Wanted to Swap: My Rabbi for 6 of Yours

Among Boys in Israel, the Trade in Photos of Holy Men Is Brisk, Competitive

By Francis X. Clines
New York Times Service

JERUSALEM — The boys from the yeshiva come to Shmuel Shnitzer's store after a long day of delving into the sacred writings with the sort of keenness American boys devote to memorizing baseball batting averages.

They may be tired, but they are hardly done with the fine points of the rabbis. For the boys have come to pay out 1.5 shekels, a dollar each, for the latest pictures of their holy men.

These are the "rebbe cards," pictures of rabbis that are collected and swapped in the Geula quarter, the Orthodox neighborhood where a boy's life is pointed toward holy scholarship — but with room enough to make his own fun.

A picture of Rav Schach, the holy man identified with the legendary Hazon Ish, might swing a deal for a handful of lesser-sought rabbis. These smile gently from their cards, much like the strong-glove, weak-bat shortstops who are the package-deal tender of American boys addicted to card collecting.

Baseball cards are worthless among the young men of the Geula quarter. But one collector tolerates a visitor's description of the American habit, even to the observation that "rebbe" sounds reassuringly like "ribbie,"

which is the way RBI — run batted in — is pronounced by some of the baseball card collectors back in Brooklyn.

No one gets, or wants, the joke at Shmuel Shnitzer's. And Yoel Friedman, who has been collecting the rebbe's boxes for seven of his 19 years, says that when you talk of collecting cards in Brooklyn, you should only talk of "Yarmish, the king, who has 10,000 rebbe cards in his home in Flatbush."

Yoel knows of him from his friend, Zevi Weinbaum from Brooklyn, a trans-Atlantic collector. "Zevi sells them in Borough Park," says Yoel. "He's a master collector and we swap, but he's no Yarmish."

The rebbe cards come without the slab of heady pink bubble gum that binds card collecting and innocence inextricably in the memories of American boys.

"These are very great rabbis, role models for the boys," said Sholom Gould, working behind the counter at Shmuel Shnitzer's, himself a collector of football cards in another time, another life. "Jewish education is based on following holy leaders, and so you have that, plus the fun of collecting something."

The rebbe cards are sold in a half-dozen shops here, with enterprising photographers

such as Mr. Shnitzer darting far and near when they hear of a big shindig to be presided over by a major rabbi. Many of the rabbis smile for their rebbe card, some are snapped more candidly and others shun the photographers altogether.

The Toldot Aharon is famous among the boys for rarely having been photographed, and Mr. Shnitzer says he has respectfully turned away from snapping the holy man in what would be the classic rebbe card. A big seller lately was the Lubavitcher Rebbe of Brooklyn, but too many copies were sold and the trading value has been deflated — with no slight intended, it is pointed out, to the great man himself.

Abraham Gutfarb, 11, enters the shop. He is a short, saucer-eyed scholar who sports a crew cut and ear locks with boyish panache. The Lubavitcher Rebbe recently died, he notes gravely, and for him the Lelover Rebbe card is the only one he wants. He studied at the rebbe's court and the sage died before the boy could learn enough.

Abraham says he feels he is at an age when he can afford to become more serious, put aside the toys of childhood and give up swapping.

"But this one I will keep," he says, holding the Lelover Rebbe in his hands.



Abraham Gutfarb with treasured portrait of Rabbi Lelover.

Challenge to Syria in Beirut Is Formidable, Analysts Say

By Patrick E. Tyler
Washington Post Service

BEIRUT — The Syrian occupation of this shattered city's western sector has achieved an important initial goal of breaking up some of the most violent militia battles in years, but Syria faces formidable challenges to its policing action, according to Western and Arab officials here.

The obstacles to Syrian efforts were demonstrated late Saturday when a brief firefight erupted between Palestinian guerrillas and Shiite militiamen surrounding one of the large Palestinian refugee camps south of the city.

The Syrian commanders were confronted with a prickly choice: either to attack the Shiite allies or to attack the Palestinians and risk angering Arabs who support the Palestinian cause. But the battle died out and the Syrians were spared the difficult decision.

If the obstacles facing the Syrians are great, analysts argue that their motivations may also be strong.

After a year of embarrassing disclosures about Syria's involvement in terrorism and affronts to its authority in Lebanon, President Hafez al-Assad of Syria hopes to use his policeman's role in Beirut to rehabilitate his image and buttress Syria as a regional power broker, diplomatic observers suggest.

A Western diplomat here said that Mr. Assad's forces were trying to find and liberate some of the foreign hostages being held by extremist groups in Lebanon.

The diplomat argued that such an accomplishment would allow Mr. Assad to claim vindication from judgments imposed by Western nations, including Britain and the United States, that Syrian officials have been behind terrorist acts.

Although Arab and Western officials have been publicly cautious about the Syrian effort in Beirut, they have said privately that they see pragmatic advantages to the arrival of an estimated 7,000 to 10,000 troops.

Mr. Assad "will use much more ruthless methods than the Israelis or the Americans could ever get away with," said a Western diplomat.

However, Syria was unable to end the civil war when it first intervened in Beirut in 1976 at the request of the Arab League. At that time it sought to protect the Christians from defeat by the Moslem and Palestinian forces.

Moslem Chiefs Agree to Syrian Peace Proposal

Reuters

DAMASCUS — Lebanese Moslem leaders said that they agreed Sunday to a new Syrian-arranged plan to end the 11-year civil war in Lebanon.

Political sources said the agreement resembled a December 1985 peace accord signed by Christian and Moslem militia representatives. The plan failed because of opposition from President Amin Gemayel and other Christian leaders.

"We wish further discussions between Syrians and Lebanese to be in the light of this agreement, which will lead us out of our impasse," said Rashid Karami, the Lebanese prime minister.

Syria was host of the talks in an attempt to build on its successful intervention in West Beirut. At the meeting were top Syrian officials and Lebanese leaders, including Walid Jumblat, the Druze leader, and Nabih Berri, head of the Shiite Amal militia.

It was not clear if Mr. Gemayel had approved the plan, but the sources said some constitutional concessions proposed by Mr. Gemayel had been taken into account.

Analysts note that the Syrian intervention may give Mr. Assad more opportunity to quash the return to influence of the Palestine Liberation Organization, under Yasser Arafat. The PLO has recently been confronted by Syria's closest Lebanese ally, the Amal militia.

In addition to the dangers of direct involvement in the Shiite-Palestinian conflict, Syria is challenged by guerrilla fighters under the control of the Iranian-aligned, fundamentalist Hezbollah.

The Christian militias that control East Beirut and the Christian heartland north and east of the city pose another potential threat.

Tafiq Hindi, a Christian militia spokesman, reflected the antipathy toward Syria of hard-line Christians, saying, "They have always wanted to swallow Lebanon."

Western officials here have suggested that Mr. Assad may be better placed to avoid or absorb the kinds of losses that the United States suffered when 241 servicemen were killed in a truck bomb attack on Marine headquarters in October 1983.

Western analysts await Syria's strategy for dealing with the most pressing threats to its interests here.

Chief among them, according to a number of Western and Lebanese officials, is Mr. Assad's desire to check the growing military presence of forces loyal to Mr. Arafat.

Mr. Arafat, whose political and military structure within Lebanon was crushed by the 1982 Israeli invasion, is rebuilding a military force in the refugee camps south of Beirut. The most recent fighting among Lebanese groups has been linked partly to concerns that the PLO may again try to use Lebanon as a base from which to attack Israel.

During months of warfare, Mr. Assad had been attacking the PLO military structure through the militia forces of the Shiite Amal movement. The Amal leadership is strongly opposed to a PLO presence, which it blames for having triggered the 1982 Israeli invasion.

But Amal's war against the PLO suddenly stirred opposition earlier this month from Druze militia forces under Walid Jumblat. The Druze militiamen, following major tank and artillery fights in West Beirut last month, were allowed to withdraw unopposed to their mountain strongholds.

Nominally, all of the competing groups — Druze, Amal and Hezbollah — are cooperating with the Syrian occupation.

"But if the Syrians stay here for a long time," said a Western military official, "they are going to have the same problem that others had before them. People are going to snipe at them, people are going to line car bombs up on them and they are going to be caught up in urban guerrilla warfare."

Rival Militiamen Clash

Rival Amal militiamen fought artillery and rocket battles in southern Lebanon on Sunday, killing at least seven persons in the first such outbreak among the Shiite gunmen, United Press International reported from Beirut.

Police in Sidon, 24 miles (38 kilometers) south of Beirut, said fighting broke out between followers of Hassan Hashem, the former chief of Amal's executive council, and Mahmoud Fakih, an Amal local commander.



A Syrian soldier tore off a poster of Imam Musa Sadr, a missing Shiite Moslem spiritual leader, as Syria continued its crackdown on militiamen in Beirut over the weekend.

Dispute Over Peace Talks Threatens Israeli Cabinet

Reuters

JERUSALEM — Prime Minister Yitzhak Shamir said Sunday night after a stormy cabinet session that Foreign Minister Shimon Peres could face a backlash from voters if he appeared to be bringing down the government for party reasons rather than for substantive peace prospects.

Unless an international conference comes close to being a reality, Likud and Labor could simply agree to disagree over the issue, they say.

Jordan Remains Silent

Jordan maintained formal silence Sunday on the Egyptian-Israeli call for a peace conference, but initial press reaction was critical of "pre-conditions" put forth, Reuters reported from Amman.

Diplomats said any substantive official comment on the subject was unlikely while King Hussein was out of Jordan. He is on a private visit to Austria and is expected in West Germany on Thursday.

than let Mr. Shamir serve out his 25-month term.

Political analysts say it is unlikely that an international conference will convene soon and that Mr. Peres could face a backlash from voters if he appeared to be bringing down the government for party reasons rather than for substantive peace prospects.

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Promised Land Has Milk, but Is Short on Honey

Reuters

JERUSALEM — Israel, described in the Bible as a "land flowing with milk and honey," is running out of honey.

The Jerusalem Post on Sunday quoted Rafael Agmon, secretary-general of the Beekeepers' Association, as saying the Promised Land was having to import honey for the first time.

Mr. Agmon blamed the situation on parasites that arrived two years ago from the Far East, which, he said, had damaged hives and decimated Israel's bee population.

In addition, a drought last year caused fewer flowers to bloom, giving the bees less pollen to work with.

In the Bible, God, referring to the children of Israel, told Moses: "And I am come down to deliver them out of the hand of the Egyptians, and to bring them up out of that land unto a good land and a large, unto a land flowing with milk and honey."

Manila Offers Rebels Cash, Amnesty and Job Training

By Keith B. Richburg
Washington Post Service

MANILA — President Corason C. Aquino has formally offered amnesty, cash and job training to insurgents who surrender with their weapons within six months.

Mrs. Aquino said Saturday that national rehabilitation and development centers were being set up in most of the nation's provinces to accept the rebels who returned.

"We hope by these measures to reunite families, bind up the broken-hearted, and heal the wounds of our nation," she said.

Mrs. Aquino's latest effort to extinguish the 18-year Communist rebellion comes at a time when the Communists concede they are politically off balance in their confrontation with the government. However, it seemed certain to revive criticism and restiveness in the military, especially because 400 soldiers who took part in a short-lived mutiny in January are facing court-martial.

A founder and former commander in chief of the Communist New People's Army dismissed Mrs. Aquino's proposals as a "bribe" and predicted Sunday that the rebels would keep fighting, United Press International reported from Manila.

"I think the attitude of the National Democratic Front toward this kind of amnesty will be a cold shoulder or they will not pay attention to it," said Bernabe Buscayno, who is also known as Commander Dante.

"These are bribes, buying of guns and rehabilitation," he said.

Mrs. Aquino announced the amnesty on Saturday in a brief statement at the presidential palace and taped her message for broadcast later on television.

The program is expected to cost about \$50 million.

A government spokesman declined to say how many of the estimated 24,000 guerrillas are expected to come down from the hills. It was reported earlier that an official who had helped to formulate the amnesty plan predicted that as many as 6,000 guerrillas might respond.

Mrs. Aquino had been expected to announce the amnesty during her speech Wednesday on the anniversary of the downfall of former President Ferdinand E. Marcos. At the last minute, though, she scrapped about half of her prepared text and instead addressed her remarks to the military and the need for soldiers to uphold civilian rule.

In part, her aides were concerned that announcement of the amnesty on the anniversary might sharpen complaints from the soldiers that Communist rebels were having their crimes pardoned while military men charged with human rights abuses or involved in the January uprising faced severe punishment.

Criticism of the amnesty for the Communists will likely increase if courts-martial proceed for the soldiers who took over a suburban television station Jan. 27-29 and who allegedly plotted to take over key military camps in an attempt to overthrow Mrs. Aquino's government.

Those involved now claim that the takeover of the station was an anti-Communist demonstration.

Defense Secretary Rafael M. Iloilo has ruled out amnesty for the soldiers involved.

Mrs. Aquino's amnesty does, however, appear to answer the criticism of some military officials, particularly the armed forces chief of staff, General Fidel V. Ramos, that the government lacked a comprehensive program for dealing with the Communist insurgency.

WORLD BRIEFS

Thais Shut Cambodian Refugee Camp

KHAO I DANG, Thailand (UPI) — Thailand began emptying its last UN camp for Cambodian refugees on Sunday, moving about 200 refugees to the Thai-Cambodian border.

Officials said the refugees, the first of 26,000 to be removed from the Khao I Dang camp, were taken to border encampments controlled by a Cambodian resistance group. About 250,000 refugees there are waiting to return to Cambodia.

Many of the refugees wept and protested as armed Thai Army rangers shouted and put them onto four trucks. UN refugee officials assured the refugees, however, that they were not being sent to Cambodia but to camps in Thai territory.

Israel Promotes Officer in Spy Case

JERUSALEM (AFP) — One of two Israeli officers who controlled Jonathan Jay Pollard, the U.S. naval intelligence analyst who is on trial in the United States for spying for Israel, has been promoted, Israeli radio said Sunday.

The promotion of Colonel Aviam Sella to a senior position in the Israeli Air Force had been delayed because of U.S. pressure, the radio said. The United States had wanted the Israeli officer to give evidence at the Pollard trial. An Israeli Army spokesman said he could not give details of the new "confidential" role of Colonel Sella.

The spying affair strained U.S.-Israel relations. Mr. Pollard, 32, is said by the prosecution to have supplied Israel with about 1,000 secret documents. He is due to be sentenced Wednesday.

Basque Coalition Leader Is Sworn In

GUERNICA, Spain (Reuters) — José Antonio Ardanza was sworn in Sunday as head of the semi-autonomous Basque government. He promised that he would work to bring stability to the region.

Until last fall, Mr. Ardanza's Basque Nationalist Party had governed alone. But a split in the party forced him to call an election and form a coalition with the Socialists, who control the central government in Madrid. Talks on forging the coalition were hampered by demands from the Nationalist Party and other groups for more autonomy.

Irish Sweepstakes Is Forced to Close As Dublin Starts Up Its Own Lottery

DUBLIN (UPI) — Luck has run out for a lottery that made dreams come true for thousands for more than 50 years — the Irish Hospital Sweepstakes is out business.

The sweepstakes' organizers closed their operation over the weekend after the government refused to renew their license. The government is starting its own lottery and says there is not enough room for two. It rejected a plea by the sweepstakes' organizers to operate the new lottery for the state.

The Irish Hospital Sweepstakes was once the world's biggest lottery. At the height of its popularity, "The Sweep" sold more tickets in the United States and Canada than it did in Ireland.

The sweepstakes was started in 1930 by a committee from six Dublin hospitals to raise money for hospital funds. Over the years, it raised 130 million Irish pounds (\$195 million) for hospital building work and equipment.

It has been in decline for several years, mainly because of competition from newer lotteries in North America and Europe.

U.S. Discloses '60s Atom Experiments

WASHINGTON (NYT) — The United States conducted secret nuclear experiments approved by the Eisenhower administration while the United States and the Soviet Union had a moratorium on testing, according to a newly published report.

The report, by the Los Alamos National Laboratory, said the experiments were intended to improve safety devices for nuclear weapons in the U.S. stockpile. The experiments involved underground explosions of a combination of high explosives and a small amount of enriched uranium or plutonium. The report said the releases of nuclear energy were so small that President Dwight D. Eisenhower ruled that the experiments should not be considered nuclear weapon tests as defined in the moratorium, which was declared in 1958 and lasted until 1961.

The report said that 35 experiments were carried out at Los Alamos and a smaller number were done in the Nevada Test Site. They began in January 1960 and ended when full-scale nuclear tests resumed in 1961.

Both Sides Claim Victory in Gulf Battle

BAHRAIN (Reuters) — A major battle was fought Sunday between Iraqi and Iranian forces near the strategic southern Iraqi city of Basra, three days after Tehran said it was ending its offensive in the area. Both sides claimed victory.

An Iranian statement issued in Tehran said the battle began when Iraqi troops advanced on Iranian positions late Saturday east of Basra, Iraq's second-largest city. The Iranian statement said 1,500 Iraqis were killed or wounded in the fighting.

Baghdad said the battle started when three divisions of Iranian Revolutionary Guards charged Iraqi positions. Iraq said thousands of Iranian troops were killed or wounded.

Moscow Sends Dissident to a Clinic

MOSCOW (NYT) — A former Soviet airline navigator whose nine-year battle to leave the Soviet Union received widespread attention in the West was seized by plainclothesmen on Saturday and sent to a Moscow clinic, according to the man's daughter.

The former navigator, Serafim Yevsyukov, 54, had been released a month ago from a psychiatric clinic where he was confined for publicly protesting official denials of an exit visa for his family and for his son's imprisonment in a labor camp.

His daughter, Lyudmila, said she was demonstrating Saturday night in Pushkin Square in central Moscow with her father and mother, when they were surrounded by plainclothesmen. She said the plainclothesmen knocked them to the ground and then took them to a nearby police station. Mr. Yevsyukov was then sent to the psychiatric hospital after questioning by doctors, his daughter said.

For the Record

A bush fire spread through the northern corner of Nairobi's National Park on Saturday, sending wildlife fleeing for safety as thick smoke spread over the southwestern suburbs of the Kenyan capital. (Reuters)

Charles Remous, a convicted businessman whose serving a life term in prison, was ordered back to prison from a hospital in Athens on Friday after a monthlong recovery after a 75-day hunger strike. (AP)

DOONESBURY



Swedes to Seek Ban on Trade With Pretoria

Reuters

STOCKHOLM — Sweden's leaders plan to propose this week a ban on trade with South Africa to contribute toward the probof of former Prime Minister Olof Palme that apartheid is destined for the "trash can of history."

Mr. Palme's successors marked the first anniversary of his murder on Saturday with pledges to carry on his fight against violence and injustice all over the world. In particular, they promised action to increase South Africa's isolation.

The ruling Social Democratic Party was to debate sanctions on Monday. The government will outline the results on Tuesday to the Foreign Affairs Council, the policy-making body that is chaired by King Carl XVI Gustav. The council includes opposition representatives.

On Sunday, Foreign Minister Sten Andersson quoted Mr. Palme as saying in his last speech that apartheid was an "affront to human dignity that is doomed to end up in the trash can of history." Mr. Andersson promised that Sweden would contribute to this.

Mr. Palme was shot to death while walking home with his wife in central Stockholm. His assassin has not been captured.

Mr. Palme's successor, Prime Minister Ingvar Carlsson, until now resisted the political pressure for sanctions, saying Sweden would adopt a unilateral decision only after all efforts to get the United Nations to adopt sanctions failed.

Sweden stands to suffer economically from an embargo on trade. The Swedish special steel industry is dependent on imports of South African minerals such as chrome, manganese and ferromanganese.

Estimates of how many Swedes would lose their jobs because of an embargo on trade vary from 1,000 to 5,000.

The areas that stand to suffer most are Social Democratic bastions where the unemployment rate is already well above the national average of 2.1 percent, making this a politically-difficult measure for the government.



A marcher in a Stockholm rally of 10,000 carries a photo of Olof Palme with the message "Palme is in our hearts."

Botha's Party Suffers As More Leaders Defect

Agence France-Presse

JOHANNESBURG — South Africa's ruling National Party was dealt a new blow on Saturday with the announcement of more defections by leading party members.

The party members announced their support of others planning to run as independents in parliamentary elections on May 6.

Two professors in the university town of Stellenbosch, Julius Jappe and Willie Rautenbach, joined at least seven other leading academics who have broken away recently from President Pieter W. Botha's party.

The National Party has ruled South Africa since 1948. Except for Mr. Botha, every South African leader since 1910 has been educated at Stellenbosch, which was once considered the cradle of Afrikaner heritage.

The liberal party members are running as independent candidates in the whites-only general election. The government is expected to face its stiffest contest in four decades.

The candidates include Denis Worrall, who resigned as South Africa's ambassador to Britain to protest the pace of change by his government, and Wynand Malan, a member of Parliament who left the National Party for similar reasons.

They were joined on Saturday by Ester Lategan, who announced her candidacy in the Stellenbosch constituency.

The white opposition Progressive Federal Party and its alliance partner, the New Republic Party, also are backing the independent candidates.

Early polls indicated that more than 60 percent of student voters would now back an independent candidate.

IBM Completes Pullout

International Business Machines Corp. completed its pullout from South Africa on Sunday by handing over its sales network to a locally owned trust, a senior IBM executive said, United Press International reported from Johannesburg.

IBM, based in Armonk, New York, is among dozens of U.S. and European companies that have announced plans to withdraw from South Africa to protest the policy of racial segregation known as apartheid.



Denis Worrall

Bangladesh Arrests Bank Defaulters

Reuters

DHAKA, Bangladesh — The police said Sunday they had arrested four industrialists and issued arrest warrants against 50 others for failure to repay overdue bank loans. No names were given.

Metropolitan police said the four arrested were put under six-month pretrial detention. They said they owed a total of nearly \$0.7 million (about \$1.65 million) to Bangladesh Shipila (Industrial) Bank. President Hussain Mohammad Ershad has said defaulters are crippling the industrial sector.

Pakistani Denies Saying His Nation Has the Bomb

United Press International

LONDON — The Observer newspaper on Sunday quoted one of Pakistan's leading nuclear scientists as saying that Pakistan has a nuclear bomb, but the remark was later denied.

The Observer reported that Abdel Qader Khan said in an interview that weapons-grade uranium was being produced at the Kahuta laboratories near Islamabad.

"America knows it," Mr. Khan said. "What the CIA has been saying about our possessing the bomb is correct and so is the speculation of some foreign newspapers."

However, in a letter delivered to news agencies by the Pakistan Embassy in Washington, Mr. Khan denied making the statement.

Mr. Khan said the Observer was "publishing an article in which it is attributing to me false and concocted statements."

"Some of my remarks have been taken out of context to mislead the news agencies by the Pakistan Embassy in Washington," Mr. Khan said.

"As I have so often publicly stated," he continued in the letter, "Pakistan's enrichment research is solely aimed at the development of fuel-grade uranium for our future power reactors. The government of Pakistan has made it abundantly clear that it has no desire to produce nuclear weapons."

Last year, there were reports in Washington that Pakistan had succeeded in enriching uranium to 93.5 percent and had tested a triggering device for a nuclear weapon last September.

The United States has sought to persuade Pakistan not to produce nuclear weapons, and a \$4.2 billion aid proposal before Congress is partly contingent upon Pakistan's not possessing a nuclear bomb.

Egyptian Zealots Burn 3 Churches

United Press International

CAIRO — Moslem extremists set fire to three Christian churches in southern Egypt after a blaze, blamed on a short circuit, damaged a mosque and rumors circulated that Christians had harassed Moslem women, news reports said Sunday. As many as 60 extremists were arrested, the reports said.

The newspapers Al-Ahram and Al-Akhar said a short circuit had started a fire Friday at the al-Kotby mosque in Shing 300 miles (480 kilometers) south of Cairo, and extremists, believing Christians had started the blaze, had set fire to the St. George Coptic Orthodox church and an evangelical church.

At Bait Swaf, 80 miles (130 kilometers) south of Cairo, extremists burned a church and two Christians-owned businesses after rumors circulated that Christians had sprayed Moslem women with a liquid that printed the image of the cross on their garments, Al-Akhar said.

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SCOREBOARD

IS College Results

Team	Points	Goals	Assists
1. [Team Name]	[Points]	[Goals]	[Assists]
2. [Team Name]	[Points]	[Goals]	[Assists]
3. [Team Name]	[Points]	[Goals]	[Assists]
4. [Team Name]	[Points]	[Goals]	[Assists]
5. [Team Name]	[Points]	[Goals]	[Assists]
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8. [Team Name]	[Points]	[Goals]	[Assists]
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Team	Points	Goals	Assists
11. [Team Name]	[Points]	[Goals]	[Assists]
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13. [Team Name]	[Points]	[Goals]	[Assists]
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15. [Team Name]	[Points]	[Goals]	[Assists]
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17. [Team Name]	[Points]	[Goals]	[Assists]
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Baker's Departure for White House Scrambles Prospects for 1988 Presidential Race

By R.J. Dionne Jr.

New York Times Service

WASHINGTON — For the second time in less than two weeks, the 1988 presidential race has been scrambled by the withdrawal of a potential candidate with significant standing in the opinion polls and substantial support among party leaders.

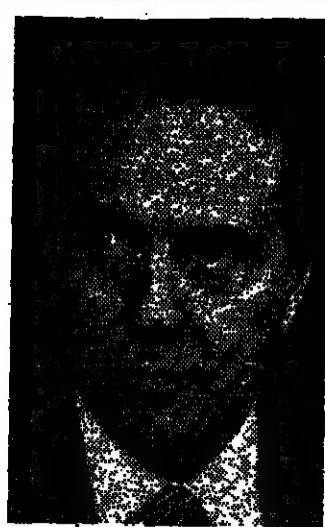
Like the withdrawal of Governor Mario M. Cuomo of New York from the Democratic contest the week before last, Howard H. Baker Jr.'s decision Friday to drop any presidential campaigning now and become President Ronald Reagan's chief of staff is likely to clarify the field and lead to an intense competition for newly uncommitted supporters.

Mr. Baker appeared to have considerable potential as a Republican candidate, but he has been third in most polls of public support.

The latest New York Times-CBS News Poll, conducted Jan. 18-21, gave him 9 percent of 459 probable voters in Republican primaries, behind Vice President George Bush's 36 percent and Senator Bob Dole's 18 percent. The telephone survey had a margin of sampling error of plus or minus five percentage points.

Although Mr. Bush is certain to inherit some of Mr. Baker's sup-

Like Howard H. Baker Jr., and unlike George Bush, Senator Bob Dole is free of direct ties to the Reagan administration and its Iran-contra affair.



Bob Dole

porters, party leaders believe the immediate beneficiary of his withdrawal is likely to be Mr. Dole, the Kansas who is Republican leader in the Senate.

Like Mr. Baker, his predecessor as party leader, Mr. Dole enjoys the respect of his senatorial and political colleagues. Like Mr. Baker, Mr. Dole has developed a moderate im-

age while establishing a clearly conservative voting record. Like Mr. Baker, and unlike Mr. Bush, Mr. Dole is free of direct ties to the Reagan administration and its Iran-contra affair.

David Keene, a consultant to Mr. Dole's campaign, said that while Baker supporters as a group were slightly more moderate than

Dole supporters, he expected Mr. Dole to win a large share of the Baker camp.

"The important thing," Mr. Keene said, "is that the guys who support Baker, Dole and all the others have made a decision not to support Bush."

Now, in one of those curious twists of politics, Mr. Bush's fortunes may rest largely on those of Mr. Baker. The vice president is so closely tied to the administration in fact and in the public mind that he needs the revival of the administration that Mr. Baker has been hired to bring about.

Some Republicans suggested that if Mr. Baker brought about such a turnaround and if Republican primaries produced no clear victor, Mr. Baker himself could emerge as compromise candidate.

But for the moment it is Mr. Bush who badly needs a turn for the better in the Reagan presidency. The vice president says he knows this.

"What is important to me," he said Friday, campaigning in New Hampshire, "is the success of this administration, because I am linked to that."

Mr. Bush said the notion that he could somehow "distance" himself from Mr. Reagan was absurd.

Thus, the vice president wants

very much to change the subject from Iran to other issues. Mr. Bush, who has repeatedly insisted that the administration's deal with Iran was not a swap of arms for hostages, reversed field Friday in accepting the conclusions of a special presidential board that the deal was in fact a swap.

But he did so merely by quoting the board's report, and he refused to answer questions about whether his new statement represented a break with his old ones.

"I want an end to this stuff," he said. "I don't want to get into it."

For Mr. Bush, the contest for the hearts of the Republican faithful will have little to do with Iran.

"People want business to go on," he said Friday night. "You just don't get all the questions on Iran around the country."

The idea of moving on to other business brought the most hearty responses Friday when he spoke to two largely Republican audiences in Massachusetts and in New Hampshire.

One of Mr. Bush's top aides made another point.

"If being tied to Ronald Reagan hurts someone trying to get the Republican nomination," said the adviser, who asked not to be named, "then there will not be a Republican president in 1988."

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The important thing is that the guys who support Baker, Dole and all the others have made a decision not to support Bush.

David Keene, a Dole campaign adviser



George Bush

Both Mr. Bush's supporters and his adversaries agree that the Iran affair bothers independents and Democrats far more than it bothers Republicans and is therefore much more likely to affect the general election than the Republican primaries.

Mr. Dole's backers contend that if the Iran affair continues to trou-

ble the administration into 1988, Mr. Dole may be the one candidate who could save the party. Mr. Dole, who scores well in the polls among both Republicans and Democrats, has been able to balance his support for Mr. Reagan with enough declarations of independence to keep himself free of the Iran affair.

But supporters of Representative Jack F. Kemp, the New Yorker who is trying to consolidate the Republican Party's right wing, insist that it will be difficult for Mr. Dole to continue this feat.

Mr. Kemp is the candidate least likely among the leading contenders to be affected by the Iran affair, if only because he is neither part of the administration, like Mr. Bush, nor a major congressional leader, like Minority Leader Dole.

With low standing in the national opinion polls, he has recently changed his emphasis away from economics and tax cuts and toward a tough anti-Communist approach to foreign policy.

Roger Stone, a leading organizer of the Kemp campaign, contends that anti-Communism is one of the most important "bottom lines" for the Republican right and that Mr. Kemp will try to put his trademark on the issue, in effect picking up where he thinks Mr. Reagan left off.

Former Senator Paul Laxalt, a close friend of Mr. Reagan, is also considering a race, but Mr. Keene and other Republicans doubt that he will be able to generate much interest with so many others already clearly in the race.

AMERICAN TOPICS

Marching on Racism: Does It Still Work?

Recent U.S. racial confrontations, The New York Times reports, raise the question of whether the methods that defeated institutional racism in the 1950s and 1960s can prevail against the more subtle racism of the 1980s.

After a gang of white youths in New York City attacked three young black men, one of whom was killed as he ran across a highway, and after black-white clashes in rural Forsyth County, Georgia, protest marches quickly followed. But their value is debated by veterans of earlier civil rights marches.

"The chief barriers to racial justice today," says Kenneth B. Clark, the sociologist and psychologist, "are more subtle and much less conducive to media coverage." He says unemployment, deteriorating urban ghettos, schools that resist desegregation, and the handicaps of single-parent black families "do not attract the same moral indignation" as did the earlier issues of equal protection under the law and equal access to housing, public accommodations, schools, the workplace, and the ballot box.

Then, the targets were Congress, the courts and the White House. Now, the issue is not new legislation but rigorous enforcement of laws already on the books.

Some black leaders say, however, that if nothing more, the marches help to shake up blacks and whites who have become complacent about the state of U.S. race relations.



THIS SURROGATE DOES WINDOWS — Pearl Conlon of Hayward, California, offers to clean, shop, cook meals, and do laundry for anyone, for \$5 an hour. She says that her service, called Rent-a-Mom, has 10 clients and that her phone rings continually.

nese manufacturing and technology, "is not held in particularly high esteem elsewhere in the world." He added, "It could probably benefit from some help." While American colleges have opened branch campuses all over Europe and Asia, only Temple University, with a branch in Tokyo, has ventured into Japan.

A vote on raising property taxes to hire more police will be held on June 2 in south-central Los Angeles, which has some of the city's worst rates of violent crime. Critics said the measure would subvert the tradition of citywide budgeting and manpower allocation.

This is fundamentally wrong," said Joel Wach, a city council member. "They will not let the day they make ability to pay the criteria for what service they get." But Melvin Lomax, a civil rights lawyer, said that "crime statistics in that area are out of control," adding, "The high-minded opposition about setting a bad precedent should be set aside."

Notes About People

Thomas P. O'Neill Jr., the former speaker of the U.S. House of Representatives, has finished his book, "Man of the House," with the collaboration of William Novak, who also helped with the best-selling autobiography of Lee A. Iacocca, the Chrysler chairman. Mr. O'Neill, 74, says that when he signed for a \$1.05 million advance, it was his first real money in 50 years in politics; when he retired last year he had about \$2.90 in the bank.

In his 34 years in Congress, Mr. O'Neill always refused to appear in public in white tie and tails, on grounds that full evening dress was the uniform of plutocrats. Now, Senator Warren B. Rudman, the New Hampshire Republican who is a co-sponsor of the Gramm-Rudman-Hollings budget-balancing law, has gone him one better: He refuses to wear either full dress or dinner jacket, and thereby has missed both the

annual white-tie Gridiron Club dinner and a number of black-tie dinners at the White House.

'Tom Swifties' Then, 'About Faces' Now

Remember the "Tom Swifties"? There are 135 million cunines in the world," she stated dogmatically. "I wish this power saw had a safety guard," he growled offhandedly. Now, reports Ron Alexander in the Metropolitan Diary column of The New York Times, come the even more succinct "About Faces." For example:

J.D. Salinger has a wry face.
Dr. Spock has a baby face.
Jack and Jill had pale faces.
Lizette Borden had a hatched face.
Victor Hugo had a miserable face.
The Earl of Sandwich had an open face.

—ARTHUR HIGBEE

In Tower Report, a Headache for Saudis

By David B. Ottaway

Washington Post Service

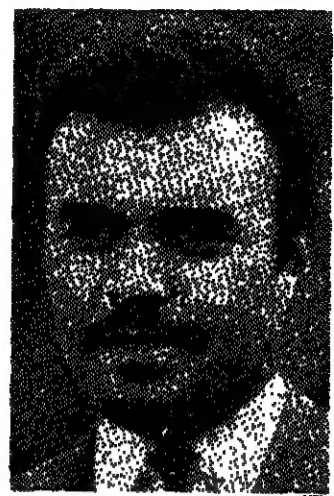
WASHINGTON — The Tower commission report appears to have created a major credibility problem for Saudi Arabia and its ambassador here, Bandar bin Sultan, who on the basis of assurances from King Fahd, the Saudi leader, has denied that the kingdom was involved in aiding the U.S.-backed Nicaraguan rebels, also known as contras.

The report contains a written statement from Robert C. McFarlane, a former national security adviser, stating that "a foreign official" offered in May or June of 1984 to provide \$1 million a month in "personal funds" to the Nicaraguan rebels, also known as contras.

The amount subsequently increased to around \$2 million a month, amounting to \$25 million in 1985, according to Mr. McFarlane.

While the Tower report does not mention any name or nationality, several sources here said that the country was Saudi Arabia and that the "personal funds" came from King Fahd.

Altogether, the report's unnamed "official" would have provided a total of \$31 million between mid-1984 and December 1985, providing the bulk of the foreign funding for the contras in the period when official U.S. aid was cut off.



Bandar bin Sultan

Mr. McFarlane told the Tower panel that he had helped to arrange for the "foreign official" to deposit his "personal" money in a contra bank account in Miami.

Mr. McFarlane also said that Secretary of Defense Caspar W. Weinberger and General John W. Vessey Jr., the former chief of staff, had "separately informed" him that the 1985 contribution amounted to \$25 million.

A Pentagon spokesman, Robert B. Sims, said Friday that "neither

General Vessey nor Secretary Weinberger have any recollection of any such alleged conversation."

The Saudi Embassy in Washington stuck with a statement it issued Oct. 21 in response to an increasing number of reports then that the Saudis were secretly providing funds for the contras at the administration's behest.

The statement, written with the help of Saudi Arabia's Washington lawyer, Frederick G. Dutton, said: "Saudi Arabia is not, and has not been, involved either directly or indirectly in any military or other support activity of any kind for, or in connection with, any group, or groups, concerned with Nicaragua."

Sources said at the time the statement was issued that Prince Bandar had personally checked with King Fahd and had been assured that the Saudi government was not providing military or financial support to the contras.

It is not clear whether the king also assured Prince Bandar that no "personal funds" were flowing from any Saudi royal family members to the contras. Such personal contributions to foreign individuals, or causes, are sometimes made in the kingdom to avoid involving the government directly.

Based on the king's assurances, Prince Bandar, his aides and Amer-

ican consultants to the Saudi government worked hard last fall to persuade skeptics that the kingdom did not have any political interest in aiding the contras.

They cited the fact that the Sandinist government in Nicaragua has good ties with the Arab world and supports the Palestine Liberation Organization.

"If we don't support them, we don't have any reason to be against them," said a Saudi source.

The credibility of the Saudi denial concerning aid to the contras is particularly important now, because Saudi Arabia has strongly denied other reports that it put up some money for the secret U.S. arms shipments to Iran.

Saudi Arabia has been the main outside financial backer of Iraq in its long war with Iran, and any hint that it was changing sides would undermine President Saddam Hussein of Iraq, setting off enormous repercussions in the Arab world.

Mr. Dutton noted Friday that Mr. McFarlane's testimony has been disputed on other points and suggested there was little reason to believe him in this matter, either.

He also said that he saw no reason for the Saudis to feel any need in 1984, an election year, to do favors for the administration when no major arms sales to Saudi Arabia were pending.

PRESIDENT: One Reagan Government Falls, a New One Must Be Built

(Continued from Page 1)

certainly that he will survive the political problems confronting him. Some interviewed delicately raised questions about a presidential "disability issue," while others gloomily evoked memories of the final days of an isolated and secluded Woodrow Wilson incapable of governing in the White House.

That along with the shift of power from one end of Pennsylvania Avenue to the other has come a marked improvement in the prospects for the Democratic Party nationally.

"Obviously, this is beyond the wildest expectations of Democrats," said Robert D. Squier, a Democratic consultant. "Just a year ago we in the party had become conditioned to think almost that Ronald Reagan would always

be president. It was more than the idea that nothing ever stuck to him, the Teflon factor and all that. He was larger than life, and he dominated political thinking. Now all that has changed. Now I'm not even sure he's going to survive."

"What it does for the Democrats," Mr. Squier said, "is something more important than giving us a chance to win back the White House. And clearly, the tide now is shifting strongly toward us."

Whatever the individual analysis of recent events, everyone interviewed talked about something they regard as more profound than any altered political party prospects. That is, the way in which the public impression of Mr. Reagan, the commanding president, has been affected by this affair.

The Senate minority leader, Bob Dole of Kansas, who has been campaigning around the country preparing the ground for his soon-to-be-announced candidacy for the Republican presidential nomination, pointed to one indication of the change. Mr. Dole said he has been appealing to strong, loyal Republican audiences to send the president a letter or post card showing continued support for him.

Three months ago, Mr. Dole said, those audiences would have jumped out of their chairs after such a plea. Now their response is muted and polite applause, or silence.

Another Republican, Senator William S. Cohen of Maine, likened the change in Mr. Reagan's fortunes to the dimming of a golden lamp. "The magic is gone," he said.

Peter D. Hart, a Democratic pollster, said he was in Illinois recently and came away with several strong reactions about public attitudes toward the unfolding Reagan drama in Washington.

"It's true that people out there aren't following the story as they are in Washington," he said. "It's too complicated, it's too complex and they have immediate personal concerns."

"But I was fascinated by how another impression has formed from what people are picking up about the story: When a national security adviser to the president attempts to commit suicide, when a secretary to a top presidential aide says she shredded and altered important White House documents,

when the president says he can't remember if he authorized shipping arms to Iran and then changes his story, all of this becomes very disturbing to people."

"They worry about who's in control, who's in charge. That is very frightening and upsetting to them."

Of those interviewed, Mr. Clifford, who has been a key adviser to presidents since Harry S. Truman, best placed the events of recent days into historical perspective.

"The six years that Mr. Reagan has been president have been extraordinarily successful," Mr. Clifford said, "and one of the main reasons is the American people developed confidence in his honesty and in his credibility. They liked him; he's such a likable fellow."

"But more than that, he had principles, and he stuck by his principles even when they felt it took a good bit of courage to do it. That was an important ingredient in the unique popularity he had. Now all that is at the bottom of the seriousness of his present predicament."

"A disturbingly high percentage of the American people have indicated in the polls that they think he has been untruthful. Others don't go that far but I'm sure are disturbed about whether he has been truthful."

"And it's not just about this incident, but a series of others that preceded it," said Mr. Clifford. "There was the swapping of Daniloff for a Russian spy when he said he wouldn't make such an exchange." He was referring to the American reporter Nicholas B. Daniloff, who was imprisoned briefly last year on espionage allegations in the Soviet Union.

"There was the memo prepared by the admiral in which the word 'disinformation' was used showing they were purposely lying to fool some foreign government and the American press," Mr. Clifford said, referring to Vice Admiral John M. Poindexter, head of the staff of the National Security Council during the U.S. air raids on Libya.

"There was Reykjavik," he said, noting Mr. Reagan's Iceland summit meeting last fall with the Soviet leader, Mikhail S. Gorbachev. "Then along came the real shocker. He's been saying all along we'll not deal with terrorist nations, and at the same time he's been shipping arms to Iran."

"The Tower commission facts

show that the major purpose of sending those arms was to release hostages," Mr. Clifford said.

"The American people react very poorly to this outright duplicity," he said. "Keep in mind that it has not been his policies that have so widely popular. Poll after poll has shown that. But it was the image he projected that made him so uniquely popular: that he was decent, honest, reasonable, attractive, not petty, fair-minded, strong and above all utterly honest and believable."

"That was his attraction, but unfortunately that image has had an almost fatal flaw. There wasn't much substance to it. He's in a difficult position now because the facts strongly point, and have strongly pointed for a long time, that he was in on the plan to ship arms to Iran from the very beginning."

Mr. Clifford continued: "All of this makes you wonder why he would risk the record of six years of great success for something like this. I think the reason lies in the word hubris. Our presidents are inclined to get into trouble when they win overwhelming victories."

"It happened to FDR after his great victory in 1936 when he tried to pack the Supreme Court. It happened to Johnson after he defeated Goldwater so badly in 1964 and then got off the track in Vietnam. It happened to Nixon in 1972 when he got so clearly off the track in Watergate after he had carried 49 states."

"And now here comes Reagan with one of the greatest victories. It produced great euphoria and led people to tell him how great he is. That kind of thing makes presidents tend to lose track with reality."

Nora Kaye, a Leading U.S. Ballerina, Dies at 66

By Burr A. Folkart

Los Angeles Times Service

LOS ANGELES — Nora Kaye, a former Broadway chorus girl who was a founding dancer of the Ballet Theater in 1939 and the first American ballerina to gain international fame, died Saturday of cancer. She was 66.

Recently, she was known for her production efforts, with her third husband, Herbert Ross, in the films "The Turning Point," "Nightmare," "Pennies from Heaven," and "Gypsy," which has yet to be released. To earlier generations, however, she represented the American dance theater, and was a glamorous yet intense interpreter of movement that ranged from sacred to profane.

As a dancer, Miss Kaye will be remembered primarily for her portrayals of Hagar in "Fall River Legend," the Agnes de Mille ballet based on Lizzie Borden, the ex-killer.

But beyond her performances, she will be recalled in artistic circles for the dramatic validity she brought to American dance after World War II.

Unwittingly, she became the first famous export of American dance in 1946, when, at the height of her melding of artistry and professionalism, she toured England with Ballet Theater. In London, she enchanted audiences as Odile in the Black Swan pas de deux from "Swan Lake."

The Times of London critic said her performance "exceeded any other seen there for years."

It was an initial inkling as to how American dance had evolved under such choreographers as Antony Tudor and George Balanchine.

Nora Kaye was born Nora Koroff on Jan. 17, 1920, in New York



Nora Kaye

City. She changed her name early in her career because, as she told an early interviewer, "an American dancer ought to have an American name."

She took her first dance lesson at the age of 4 and was enrolled in the Metropolitan Opera Ballet School four years later. At 14, she was accepted into the Metropolitan Opera's corps de ballet. Although she joined Balanchine's American Ballet in 1935, she continued to study with Michel Fokine, the regularly with Russian choreographer.

Miss Kaye later turned to Broadway. She was hired to perform a classical dance in the musical "Great Lady," a short-lived but artistically remembered show. She was next featured in "Stars in Your Eyes," which starred Ethel Merman and Jimmy Durante, and featured Tamara Toumanova, the Russian ballerina.

When Ballet Theater was being

formed in 1939, Miss Kaye, who believed that her future lay in the musical theater and not in ballet, accompanied a roommate to the auditions. She also was urged to audition, did so, and was accepted into the corps. Ballet Theater later became American Ballet Theater.

In New York in 1940, during Ballet Theater's first season, Miss Kaye danced in Mr. Tudor's "Dark Elegies" and "Lilac Garden." She was given an increasing variety of prima ballerina roles, among them "Bluebird," "Apollo," and the title role in "Princess Aurora."

She starred in the world premieres of Mr. Tudor's "Dionysus" and Leonid Maslone's "Madeleine" in 1943. The Ballet Theater's 1943 season has been called "Miss Kaye's season," and if that accolade were in doubt, all that question vanished when Alicia Markova became ill and Miss Kaye substituted for her in "Romeo and Juliet."

Miss Kaye moved to the New York City Ballet in 1951 but her affiliation with the company lasted only until 1954, when she returned to Ballet Theater. In addition to her Tudor and de Mille repertory, Miss Kaye often starred in "Giselle" and "Swan Lake."

She also performed in ballets by Mr. Ross. In 1960, they formed a company, Ballet of Two Worlds, which toured Europe that year.

She retired in 1961 and in 1977 she rejoined American Ballet Theater as an associate director.

Frederic G. Donner, 84, head of General Motors Corp. NEW YORK (NYT) — Frederic Donner, chairman and chief executive of the General Motors Corp. from 1958 to 1967 and a company director for 32 years, died early Saturday at his home in

Greenwich, Connecticut. He was 84.

Mr. Donner, a financial expert who kept out of the limelight, joined GM as an accountant in 1926 and enjoyed a steady rise up the corporate ladder. He was said to have an uncommon ability to absorb facts and figures, and the intricate corporate and financial structure of the giant automobile maker was a matter that suited him well.

Mr. Donner, the son of an accountant, was born on Oct. 4, 1902, in Three Oaks, Michigan. After graduation from the local high school, he studied economics at the University of Michigan and graduated with honors in 1923.

He worked for an accounting firm in Chicago for three years before moving to New York in 1926 to join the financial staff of GM. In 1948, he was with GM executives who toured Germany's bombed-out cities to determine whether to reclaim GM's German subsidiary, Adam Opel AG, which had been written off as a loss in World War II.

Kenya Won't Bar Pretoria Air Links

The Associated Press

NAIROBI — President Daniel arap Moi says Kenya will not unilaterally bar international airlines from using Nairobi as a stopover for flights to and from South Africa, according to reports published Sunday.

The Kenyan president, addressing a school fund-raising meeting in Kenya's central Murang'a district Saturday, said his government would halt the overflights only if all members of the Organization of African Unity enforced the ban.

He and the group vouched for Opel's rebirth, and the branch remains one of West Germany's biggest car makers.

Glenway Wescott, 85, Expatriate U.S. Writer NEW YORK (NYT) — Glenway Wescott, one of the last of the major expatriate American writers who lived in France in the 1920s and 30s, died of a stroke on Feb. 22 at his home in Rosemont, New Jersey. He was 85.

Mr. Wescott, who was a former president of the American Academy of Arts and Letters, achieved literary acclaim when he was 26, with the publication of his second book, "The Grandmothers."

The novel, the saga of a pioneer family transplanted from New York state to Wisconsin in 1846, was the Harper Prize Novel for 1927 and became a best seller.

Other deaths:

Frederic R. Mann, 83, a former U.S. ambassador, Philadelphia city official and patron of classical music, Thursday after a lengthy illness in Miami.

George S. "Gor" Mastella, 72, a retired U.S. Air Force officer who led a daring mission to rescue Allied fliers downed behind Nazi lines during World War II, Feb. 23 in Bethesda, Maryland.

Polish Party Office Bombed

WARSAW — A bomb planted in a trash container exploded Saturday night outside a Communist Party office in the northern Baltic port of Gdynia, shattering windows on the ground floor but causing no injuries, the official press agency PAP reported Sunday.

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THE IRAN-CONTRA AFFAIR: A veteran Republican leader gives up his White House ambitions to serve Reagan

Baker Just Can't Say No to a President

As a Senator, He Was a 'Genius' of Compromise, Champion of Presidents

By Martin Tolchin
New York Times Service

WASHINGTON — Howard H. Baker Jr. had always said that when the president asks you to do something, it's hard to say no.

It was no secret that he had hoped to be tapped for secretary of state or to fill a Supreme Court vacancy. He did say no to Donald T. Regan, the president's chief of staff, who sounded him out about succeeding William J. Casey as director of the Central Intelligence Agency.

But Mr. Baker's friends were not surprised that when the president himself telephoned the former Senate Republican leader Thursday at a Florida retreat and asked him to run the White House, there was little hesitation. He will replace Mr. Regan as White House chief of staff Monday.

Just two weeks ago, Mr. Baker told friends that he planned to run for president and had commissioned a report on how to raise \$10 million for his campaign. Now those friends say the presidential campaign is probably over.

"You have to assume that when you're taking this job you're taking it for the remainder of the term," a Baker confidant said. An informal, rumpled, unthreatening man in a tuxedo, the 61-year-old former senator made a career out of being a conciliator, bringing together disparate factions and cajoling them into agreements that led to legislation. It was this quality that led to his election in 1977 as Senate Republican leader and his elevation to majority leader in 1981, when the Republicans won control of the Senate.

His skills were sorely tested. Mr. Baker reconciled the liberal and conservative wings of his party and then reconciled President Reagan's goals with those of the Senate Republicans. He won the respect and affection of Democratic leaders of both the House and Senate. He was fond of putting opponents in the same room for all-night sessions and was instrumental in orchestrating the president's victories on the Hill.

"He's a genius at finding the compromise point and pushing it through," said Senator Jim Sasser, Mr. Baker's Democratic colleague from Tennessee. Mr. Reagan frequently acknowledged Mr. Baker's role.

"I'm frank to say that I don't think we could have had the successes that we've had up there without his leadership," the president once said.

Although the two men were not socially close, Mr. Baker considered himself Mr. Reagan's lieutenant on Capitol Hill. He said Friday that he made a conscious decision "that I would be Ronald Reagan's spear carrier in the Senate."

"Anytime there was a matter on which we disagreed, where I felt very keenly, as a matter of conviction and philosophy, I let him know that, and someone else handled it," Mr. Baker said. "But that was very rare."

Although Mr. Baker gives the impression of being politically moderate, his voting record was conservative even before he became Mr. Reagan's man on the Hill and helped arrange the curtailment of dozens of social programs.

Mr. Baker was never the most organized senator, nor the most driven, despite his wish to be president. His managerial skills were the subject of occasional good humor, if not hilarity, on Capitol Hill. And he often seemed distracted and preoccupied with matters other than the affairs of state.

Howard Henry Baker Jr. was born to politics on Nov. 15, 1925, in Huntsville, in the eastern, Republican part of Tennessee. His paternal grandfather was a judge; his maternal grandfather a county sheriff, and his father a House member from 1951 until his death in 1964. His stepmother then took over the House seat.

After high school at the McCallie Military Academy in Chattanooga, he enlisted in the navy and studied engineering. Mr. Baker went on to the University of Tennessee Law School, where he was elected president of the

student body after running on a platform of "mending fences" between fraternity members and the independents. It was an early example of Mr. Baker's lifelong devotion to coalition politics.

He married Joy Dirksen, the daughter of Senator Everett M. Dirksen of Illinois, the Republican leader.

"His marriage could not have been better politically arranged if it had been made in the courts of Europe," Professor John Bakke of Memphis State University commented.

After a legal career in which he specialized in defending murder cases, Mr. Baker ran for the Senate in 1964 and was elected by the Democratic landslide that kept President Lyndon B. Johnson in office. Two years later he became the first Tennessee Republican ever elected to the Senate. He easily won re-election in 1972 and 1978 and received national exposure because of his habit of helping presidents, regardless of party.

As a member of the Senate committee investigating the Watergate scandal, he sought to separate President Richard M. Nixon from the actions of his underlings, pounding away at an arduous question: "What did the president know and when did he know it?"

Mr. Baker grew bored with the Senate, however, and retired in 1984, to spend more time with his wife, who was suffering from cancer, as well as to earn some money and to run for president.

"I make no bones about it," he often said at that time. "I want to be president."

Mr. Baker joined the Washington office of Vinson & Elkins, a Houston law firm, proclaimed himself "happy as a bug" and, when asked how it felt to be making \$500,000 a year, told a visitor, "You vastly underestimate me."

He also came to consider the Senate irrelevant.

"Some things I was worried about in the Senate," he said. "I've learned that the world doesn't care two hoots about."



Howard H. Baker Jr., the former Senate Republican leader, made a career out of being a conciliator, bringing together disparate factions and cajoling them into agreements that led to legislation.

Reagan Nominee to CIA Expected to Withdraw Name From Contention

By Lou Cannon
and Bob Woodward

Washington Post Service

WASHINGTON — Robert M. Gates is expected to withdraw his name as President Ronald Reagan's nominee for director of central intelligence, administration and congressional sources said Sunday.

One of those sources said Mr. Gates had arrived at the decision "without much prodding" following warnings from Republican congressional leaders that his nomination was likely to be rejected by the Senate.

The Republican leaders, four of whom met with Mr. Gates on Friday, said that a fight over Mr. Gates' confirmation on the Senate floor would focus additional attention on the Iran-contra affair at a time the administration is trying to make a fresh start with a new White House team headed by Howard H. Baker Jr., the former Senate Republican leader from Tennessee.

Former Senator Paul Laxalt, Republican of Nevada and a close Reagan friend, said Sunday in a television interview that Mr. Gates' nomination bore "the smell of Iran-contra." Mr. Laxalt was instrumental in the selection of Mr. Baker.

One source said that replacing William J. Casey as head of the Central Intelligence Agency "must be done quickly."

"Gates is a negative symbol and the situation at the CIA is critical and has to be transformed into a positive symbol," the source added.

The sources said that means finding a nominee who has professional intelligence experience, stature, unquestioned integrity and no

role in the Iran-contra affair. That affair is expected to be the subject of investigations for most of this year by an independent counsel, or special prosecutor, and congressional committees.

Said one Republican senator, "The White House now has to come up with the moral equivalent of Howard Baker for the CIA."

Within the CIA a number of officials expressed a sense of urgency about Mr. Gates' withdrawal — they hoped to protect the agency from what one source said could be a "revelation of the Church Committee." This was a reference to the Senate committee that investigated intelligence abuses in the 1970s.

A number of key people in the Directorate of Operations, the elite clandestine arm of the CIA, were involved in either the clandestine arms transactions with Iran or the private White House effort to aid the Nicaraguan rebels.

A senior administration source said that "it is crucial to have a new CIA director who can credibly investigate and clean up any remains of Iran-contra, not a director who himself is the subject of the investigations."

Mr. Gates, the CIA's deputy director, took over as acting director of the agency in December after Mr. Casey resigned following brain surgery for removal of a cancerous tumor.

The nomination came under immediate fire from some members of the Senate intelligence committee, who sharply criticized Mr. Gates for failing to be forthcoming about what he knew or suspected about the Iran-contra affair.

Mr. Gates, critics say, failed to ensure that Mr. Casey's Nov. 21 testimony to the Senate intelligence committee was complete. Mr. Gates had a central role in preparing that testimony.

Senators are particularly distressed that Mr. Casey, Mr. Gates and the CIA did not alert them to suspicions that money from the Iran arms sales had been diverted to the Nicaraguan rebels, also known as contras.

A senior administration official said Sunday that there was "a consensus in the White House" to avoid a fight over the nomination, although the president was not personally critical of Mr. Gates. Officials said that Mr. Gates, while wanting the post, had come to the same conclusion and would withdraw his name.

"We're not angry with Bob Gates, we're dealing with practical political realities," the senior official said.

On Saturday the White House spokesman, Martin Fitzwater, said "the president stands behind the nomination." A CIA spokesman said Saturday that any reports that the nomination would be withdrawn were "totally false, totally without foundation." The spokesman could not be reached Sunday.

A number of Republicans on the Senate intelligence committee, which is considering Mr. Gates' nomination and is expected to hear testimony from him in a closed hearing on Wednesday, said over the weekend that Mr. Gates would not be confirmed.

One called the nomination "still-born." Another said that "Gates could not be reconfirmed as deputy" because the committee, especially the Republicans, are so anxious to move away from the Iran-contra affair.

Possible choices mentioned by administration and congressional sources include: Brent Scowcroft, a retired air force general, national security adviser to President Gerald R. Ford and a member of the Tower commission; William H. Webster, whose 10-year term as head of the Federal Bureau of Investigation expires next year; and Mr. Casey's first two CIA deputies, John N. McMahon and Bobby R. Luman.

Report Questions Apparent NSC Influence on CIA

New York Times Service

WASHINGTON — The Tower commission was concerned that the Central Intelligence Agency allowed some of its analysts to be influenced by the National Security Council's goals, a commission member said.

The member, Brent Scowcroft, said Friday that the panel had found that only a "handful of selected individuals" in the CIA were involved in the Iran-contra affair. He said the report criticized William J. Casey, the former agency director, for failing to take over the Iran dealings from the White House.

Mr. Scowcroft pointed to a revised Special National Intelligence Estimate on Iran in May 1985 that agency analysts provided because of pressure from members of the National Security Council, who wanted a basis for opening talks with Tehran. The revised estimate superseded a 1984 report that found little support for American influence in Iran.

"There was close coordination between the NSC and the writing of the revised estimate," Mr. Scowcroft said. "You don't want cooked intelligence."

Reagan 'Deeply Disturbed' by Tower Report's Implications, Aide Says

Washington Post Service

WASHINGTON — David M. Abshire, a presidential counselor said Sunday that President Ronald Reagan was "deeply disturbed by the implications" of the Tower commission report and that the panel's findings were having "a very constructive effect" on him.

Mr. Abshire, who was present when the Tower board presented its report to Mr. Reagan on Thursday, said the president was "shaken by some of the findings." He predicted that the president would deal directly and personally with the issue when he speaks on television Wednesday night.

Meanwhile, the chairman and a member of the Tower commission said there was no evidence that a key memorandum in the case ever reached the president.

The undated and unsigned memo was written by Lieutenant Colonel Oliver L. North, the dismissed National Security Council aide, and was sent to Vice Admiral John M. Poindexter, Mr. Reagan's national security affairs adviser at the time.

In the memo, written for Admiral Poindexter to forward to Mr. Reagan, Colonel North outlined plans for the sale of arms to Iran in



Ronald Reagan meeting with Republican leaders on Friday.

exchange for the release of American hostages in Lebanon. He also said that \$12 million in "residual funds" from the sale would be used to aid the Nicaraguan rebels, known as contras.

Mr. Reagan repeatedly has denied knowledge of the diversion of funds to the contras.

Interviewed on television, John G. Tower, the former Republican senator from Texas who headed the

commission, said there was "no evidence that the president ever saw" the North memo, or "even that Poindexter signed off on it."

Previously, Mr. Reagan has defended the "worthy goals" of the initiative and has declined to take personal responsibility for what happened. The most he has done is to say that "mistakes were made" in execution of the policy.

Administration sources said that the three panel members said their highly detailed report seemed to fluster the president when they briefed him on it Thursday morning, shortly before it was made public.

"I don't blame him; I would have been flustered, too," said Mr. Tower.

He and the other board members, former Senator Edmund S. Muskie and Brent Scowcroft, a retired air force general, discussed their report Friday with reporters and editors of The New York Times.

Martin Fitzwater, the president's spokesman, agreed that the report contained "many new facts" that the president had not previously understood. Accordingly, he added, Mr. Reagan was "rightfully angry about the mismanagement described in this report, and he intends to make changes as soon as possible."

The commission members also said that their report could well undermine the ability of Secretary of State George P. Shultz to conduct foreign policy. They pointed out that Mr. Shultz had been criticized for not objecting more strenuously to the Iran arms deal on the ground that it contradicted stated administration policy against dealing with nations believed by the

U.S. government to support terrorism.

Speaking before Howard H. Baker Jr. was named White House chief of staff, Mr. Muskie said: "The whole foreign policy establishment is going to have a difficult time in light of this report."

After Mr. Baker's appointment was announced, Mr. Muskie said the underlying problems in foreign policy would remain.

"Howard is not an automatic corrective," said Mr. Muskie, who also served as secretary of state. "Politically he will be a plus. But the administration still has to chalk up a foreign policy achievement."

The panel members made these additional points in the interview: While they uncovered new evidence about a private network that raised funds for the contras, they lacked the time or resources to pursue a full investigation.

Although the commission was appointed Dec. 1, it did not get totally organized until mid-January. Difficulty in obtaining security clearances for the staff, and in determining the most fruitful documents in White House files, contributed to the delay.

A fluke in the White House computer system provided the

commission with backup copies of tens of thousands of documents going back as far as March 1986.

Those documents, discovered in mid-January, were previously thought to have been purged from the computer system.

The commissioners concluded that Mr. Reagan's "obsession" with release of the hostages was the driving force behind the continuation of the Iran arms sales.

■ McFarlane Praises Report

Robert C. McFarlane, a former national security adviser, has praised the Tower commission report and said its members made a logical decision to favor his account of presidential authorization for arms sales to Iran, United Press International reported.

In his first public interview since being hospitalized for an overdose of Valium on Feb. 9, Mr. McFarlane said Saturday on National Public Radio. "The commission has done an extraordinary job in establishing the record of truth," adding, "It contains some very painful truths."

Mr. McFarlane said the commission found it "plausible and likely" that events had taken place as he portrayed them.

One called the nomination "still-born." Another said that "Gates could not be reconfirmed as deputy" because the committee, especially the Republicans, are so anxious to move away from the Iran-contra affair.

Possible choices mentioned by administration and congressional sources include: Brent Scowcroft, a retired air force general, national security adviser to President Gerald R. Ford and a member of the Tower commission; William H. Webster, whose 10-year term as head of the Federal Bureau of Investigation expires next year; and Mr. Casey's first two CIA deputies, John N. McMahon and Bobby R. Luman.

North Rose Above His Rank by Acting as Point Man for 'Reagan Doctrine'

By Dan Morgan
Washington Post Service

WASHINGTON — On July 15, Vice Admiral John M. Poindexter, at the time national security adviser, directed an almost plaintive message into the computer terminal of a White House aide, Lieutenant Colonel Oliver L. North.

"I do not want you to leave and to be honest cannot afford to let you go," wrote Admiral Poindexter, who was concerned that Colonel North was overreacting to Admiral Poindexter's criticism that his aide was becoming too emotionally involved in the cause of the rebels fighting the government of Nicaragua.

The note, which is included in the report of the Tower review board released Thursday, highlights one of the most intriguing questions of the Iran-contra affair: How did a mere Marine lieutenant colonel with the title of deputy staff director in the National Security Council accumulate such power and emerge as one of the central figures in a major, covert foreign policy initiative?

The report of the Tower commission does not attempt to answer that question directly, but it offers important clues.

Colonel North, it makes clear, made himself indispensable by becoming the doer, the man of action in a government system that he and a handful of others considered frustrating and hopelessly mired in legal, philosophical and emotional constraints left over from the previous decade.

Colonel North became the point man at the center of power for elements of the Central Intelligence Agency and the Defense Department that were determined to restore America's will and ability to act, quickly and covertly, against terrorists and Communist insurgents.

To officials at the CIA, including William J. Casey, who was until recently the agency's director, Colonel North was the natural ally at the White House in the effort to restore covert action capabilities that had been used sparingly since CIA abuses were exposed by congressional investigations in 1975

and congressional oversight curtailed the agency's free-wheeling activities.

To Pentagon advocates of "low-intensity warfare," Colonel North became an ardent supporter of efforts to rebuild and use the military's "special operations" forces, which had fallen from political grace after the Vietnam War exposed the limitations and pitfalls of counterinsurgency.

And to ideological backers of the Reagan doctrine, the informal named after the banner of policies aimed at countering Communist movements around the world, Colonel North became the man to know at the National Security Council.

Throughout 1985 and 1986, he worked closely with Assistant Secretary of State Elliott Abrams, the most vocal champion of the Nicaraguan rebel cause. That cause was the single biggest test of the Reagan doctrine, and Colonel North was becoming a well-known champion of it through public speeches and fund-raising meetings with leading conservatives.

Colonel North's frustration with the bureaucratic system mirrored that of Mr. Reagan. And his increasing prominence as a man of action who could create alliances and cut through the bureaucracy improved his standing with the president, according to friends and former colleagues.

"He was devoted to carrying out what the president wanted done," Colonel North's longtime friend and the former national security adviser, Robert C. McFarlane, said in a radio interview broadcast Saturday.

A retired military officer and friend of Colonel North's said: "Reagan worked with the NSC because the NSC aligned itself with the Reagan doctrine. The CIA was against it. The State Department was against it. That was why Ollie became so critical to the president."

Colonel North's conviction that he was working to assure Mr. Reagan's place in history is evident in a number of documents presented in the report of the Tower commission.

"Sincerely believe that RR can



Colonel North 'tended to see the world in terms of black and white. When things didn't fit into his structure, he just ignored them.'

Colonel North 'tended to see the world in terms of black and white. When things didn't fit into his structure, he just ignored them.'

A former colleague

be instrumental in bringing about a deal to Iran-Iraq war — a la Roosevelt w/ Russo-Japanese war in 1904," Colonel North reported to Admiral Poindexter on Sept. 20 during negotiations with Iranians. "Anybody for RR getting the same prize?"

Colonel North drove himself to the brink of physical collapse, apparently in what he believed was the service of the president. In June, Mr. McFarlane was so concerned about Colonel North that he suggested Admiral Poindexter get him transferred from the NSC to Bethesda Naval Hospital "for disability review board." Mr. McFarlane added that the Marine Corps apparently "has already tried to bury him once."

More than any other figure in the Iran-contra affair, Colonel North dominates the pages of the Tower commission's report. He seems everywhere. On one page he is flying to Frankfurt under his alias, William P. Goode, to meet an Iranian intermediary; on another he is utilizing his secure White House communications system to coordinate the drops of lethal equipment to the rebels in Nicaragua; on still another he is drafting a proposal for a tax-exempt organization to support the rebels.

And the report tells only part of

the story. Colleagues and friends say Colonel North virtually ran the government's counterterrorism program from the NSC. He was one of those involved in choosing targets for the U.S. bombing raid on Libya on April 14, and he and Admiral Poindexter helped mastermind the forcing down of an Egyptian airliner carrying the suspected hijackers of the Achille Lauro cruise ship in October 1985.

Colonel North, it now seems apparent, was filling a vacuum at the center of the national security system: He was ready to act.

When President Reagan took office in January 1981, the ability of the intelligence services and the military to deal with small-scale insurgencies and isolated acts of random terrorism was at a low point, according to sources at the Pentagon and in the intelligence community.

The aftermath of two congressional inquiries into the CIA in 1975 produced revelations about domestic spying and foreign assassination plots. Those investigations resulted in the setting up of an oversight system that required the president to approve covert operations and to advise the House and Senate intelligence committees of them.

While some CIA professionals welcomed the oversight, others

complained that the procedures made it difficult for the agency to operate efficiently abroad.

At the same time, the Pentagon's manpower and procurement efforts emphasized conventional warfare and the military's special operations forces became less favored.

Two things helped reverse these trends, analysts said. One was the emergence of the Reagan doctrine, which had the strong support of Mr. Casey, an advocate of covert action. The other was terrorism, which increasingly threatened to undermine the Reagan administration's image for toughness.

In 1979, when President Jimmy Carter ordered an attempt to rescue hostages in Iran, there was no unified counterterrorism unit. But after the failure of that effort, several classified units were established, including the Delta Force and the Intelligence Support Activity.

Several of the individuals involved as private contractors in the Iran-contra affair, including Major General Richard V. Secord, a retired air force officer, were involved in 1980 in the planning of a second rescue attempt that never took place.

Subsequently, the army's commando units were amalgamated under the First Special Operations Command at Fort Bragg, North Carolina.

In 1983 and 1984, Colonel North, then a new member of the NSC's political-military affairs bureau, met General Secord and others who were attempting to revive the nation's anti-terrorist capability. According to one source, Colonel North was already a disciple of Edward G. Lansdale, a retired army major general considered by military leaders to be the genius of U.S. counterinsurgency thinking.

General Lansdale, who died last week, had been a major influence on President John F. Kennedy's decision to create the Green Berets and support a U.S. counterinsurgency effort in South Vietnam in the early stages of the war.

"Ollie was already Lansdale-ized when he reached the NSC," a source said.

By all accounts, Colonel North

adopted the Lansdale ethos with fervor.

Beginning in late 1984, the Tower commission report said, Colonel North immersed himself in the Nicaraguan rebel cause, which had become precarious because of the congressional limitations on U.S. military aid that year.

Colonel North, the report shows, kept detailed track of rebel expenditures on arms, munitions and combat operations, helped organize alliances of rebel leaders, and in early 1986, coordinated drops of lethal material to the rebels. On March 26, he was trying to obtain British-made Blowpipe launchers and missiles for the rebels from a South American country.

He was also immersed in his counterterrorism work, and was considering suggestions last year from Admiral Poindexter that a hostage rescue effort might be necessary because of repeated failures to conclude an arms-for-hostages deal with the Iranians.

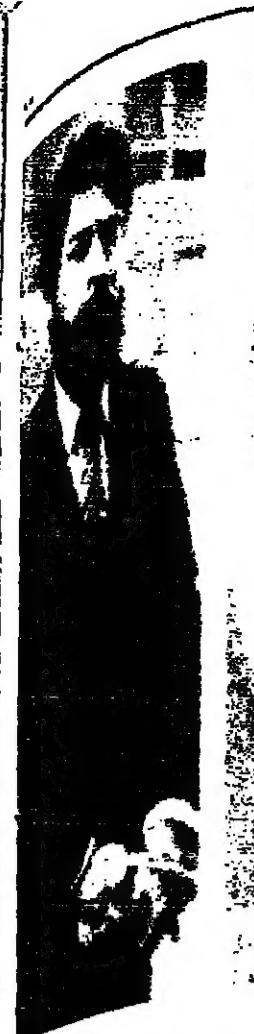
No rescue attempt was undertaken, but a note June 3 from Colonel North seems to suggest that General Secord, then retired from military service, was involved in a backup hostage rescue plan under the control of Colonel North's counterterrorism unit at the NSC.

Publication of the June 3 note by the Tower commission confirmed reports that Colonel North's counterterrorism group utilized the services of the highly classified Intelligence Support Activity, a covert military unit assigned to the Pentagon.

"We already have one ISA officer in Beirut," Colonel North noted, "but no effort has been made to insert personnel since we withdrew the military mission."

In the Iranian arms deals and in his covert aid program for the Nicaraguan rebels, Colonel North dealt with companies run by or tied to General Secord. In part, the record shows, this was because he found the conventional CIA system too inefficient and slow.

"Why Dick can do something in 5 min. that the CIA cannot do in two days is beyond me, but he does," Colonel North wrote Admiral Poindexter on Sept. 17, after the CIA was unable to produce an air-



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BAKER: New White

Lands in U.S.

the Bomb Threat

BRAZIL: Minister in

Herald Tribune

Published With The New York Times and The Washington Post

A New Prime Minister

The Tower commission, with its honest and constructive report, gave President Reagan a new opportunity last Thursday. He seized it on Friday by naming Howard Baker as White House chief of staff. These are good starts on a long and difficult road back to credibility for the president.

Former Senator Baker should be a wise and effective prime minister. That is exactly the role Mr. Reagan assigned to his previous chiefs of staff. James Baker performed brilliantly and things worked well for the administration. Donald Regan functioned poorly and so did the administration, disastrously in the Iran-contra affair. As the Tower commission made plain, President Reagan's "management style" depends on a first-class top aide.

As Senate majority leader for four years, the Tennessee Republican pushed the administration's program through without offense to Democrats. He knows how to keep his party coloration while respecting the value of bipartisanship. Although he lacks executive experience, he has the political savvy to set a substantive agenda for Mr. Reagan and make it happen.

This is also an opportunity for Mr. Reagan and Mr. Baker to strengthen the White House team generally. The recent appoint-

ment of Frank Carlucci as national security adviser has already done so, but much more remains to be done. They might reconsider the nomination of Robert Gates to be CIA director and select someone of stature unimpaired by the Iran-contra fiasco.

On his handling of this disaster, during and after, President Reagan merits little applause. One exception is the commissioners he chose to examine the record and make recommendations. There were doubts about former Senator John Tower, a prominent Republican, as head of the commission, but he acted admirably throughout. The fact that the president also named former Secretary of State Edmund Muskie, a strong Democrat, and Brent Scowcroft, a retired general of the highest integrity, indicated that there would be no whitewash. President Reagan did the right thing in choosing men of this caliber and giving them access to information.

Then the commissioners did their job. They put partisanship behind them to seek the truth, as far as they could. Their report hit the Reagan mark, without destroying his presidency. That report and the appointment of Mr. Baker began the process of transforming a crisis into a problem.

— THE NEW YORK TIMES

Pakistan and the Bomb

Pakistan's pursuit of nuclear weapons grows increasingly dangerous to itself and to the world. In Islamabad two weeks ago the U.S. ambassador, Deane R. Hinton, urged Pakistan in its own interest to abandon this quest. In Washington, Congress has begun hearings on aid to Pakistan. The connection is the American law that would cut off all aid, both economic and military, if Pakistan built a nuclear bomb.

It is difficult to say precisely how close the Pakistanis have come to actual production of weapons. But Leonard S. Spector of the Carnegie Endowment, in a survey published a few days ago, reports a consensus that they have arrived "at the nuclear-weapons threshold." He also notes that within the past year India has gone to extraordinary lengths to develop a supply of plutonium beyond the reach of international inspection or control. With a history of hostility between them, each of these countries, in its progress toward a nuclear armory, goes the other to greater extremes.

U.S. law prohibits aid to any country that imports nuclear technology. Pakistan has done, without agreeing to international safeguards. After the Russian invasion of Afghanistan, Congress passed a waiver for Pakistan to bolster its defenses and open a

supply route to the Afghan rebels. But the waiver expires this year, and Congress now must decide whether to renew it. Even under the waiver, aid will continue only as long as President Reagan annually certifies that Pakistan has not built nuclear weapons. Ambassador Hinton warned his Pakistani audience that "it is open to question whether the president could so certify were he to conclude that Pakistan had in hand, but not assembled, all the needed components for a nuclear explosive device."

But above all Mr. Hinton pressed Pakistan to consider the meaning of nuclear weapons for its own security. India set off a nuclear explosion in 1974 but does not yet have deployable weapons. If Pakistan were to push India to make them, Mr. Hinton observed, it would have to reckon with India's far larger nuclear potential. As both countries began to arm, the temptation to try a first strike would rise on both sides.

There are several places in the world — southern Africa and the Middle East are others — where a real risk has arisen that nuclear weapons might be used in a regional war. But the risk will remain greatest in South Asia as long as the competition between these two rivals continues.

— THE WASHINGTON POST

Listen to Costa Rica

Even mainstream conservatives in Congress who have loyally supported Reagan aid to the contra have been stirred by the new Central American peace plan put forth by Costa Rica. Speaking for them is Robert Michel, the House minority leader, who urges a two-point program on President Reagan. First, announce a seven-month "peace-plan moratorium" before requesting an additional \$100 million in aid for the Nicaraguan rebels. Second, resubmit a \$300 million aid package for Central American democracies approved by Congress last year but never spent. Both are good ideas that could form a congressional consensus on Central American policy.

The Costa Rican proposal, as outlined by President Oscar Arias, envisions a cease-fire, talks on restoring freedoms and holding elections in Nicaragua, and a suspension of U.S. aid to the contra. The idea is less ambitious and hence more practical than the stalled Contadora proposals, and it is a big step ahead of the Reagan administration's first-undo-surrender approach.

What gives the initiative special promise is its timing. It comes between the acts

Congress is unlikely to be asked to vote for new aid to the contra before October. Funds from last year would still be in the pipeline. The suspension could provide bargaining value since the Sandinistas cannot be sure what will happen in the fall. The contra is in the midst of a leadership struggle, and Central American democracies are reconsidering their interests in the devastating war of the Iran-contra scandals.

In this flux, everyone is scrambling, including the Sandinistas. They first opposed, then welcomed the Costa Rican plan, which is to be discussed again at a regional summit meeting in Guatemala in May.

Unfortunately, the Reagan administration pursues a policy only of military pressure without a second track of negotiations. That weakens the U.S. position in the region and it could hurt Republicans politically. Why not encourage Central Americans to apply their own skills and instincts to a problem that has baffled Washington? To these good questions, Congressman Michel offers a sane and timely answer.

— THE NEW YORK TIMES

Education Against AIDS

Public health experts decided last week at a meeting in Atlanta that there will be no widespread mandatory testing for AIDS. The conference was called to discuss a proposal by the federal Centers for Disease Control to require testing for hospital patients, applicants for marriage licenses, pregnant women and those being treated for venereal disease. Tests are already mandatory for blood donors, members of the military and certain federal employees.

The decision not to expand the scope of mandatory testing was made, in part, because there is no consensus on how to deal with positive results. No effective treatment or cure has been developed yet, and there are civil liberties problems involved in disclosing test results to sex partners, employers and insurers. Does this mean that there is no feasible public health program available to contain the disease and protect the public? No, effective education campaigns do serve this purpose and have been endorsed by all the groups attending the Atlanta conference. Since mandatory tests will not be given to identify AIDS virus carriers, others are well advised to protect themselves, as to treat every sex partner, for example, as if that person were infected.

It is expected that within the next few weeks the White House will announce a major program of AIDS education directed not only at the general public but also at the schools. Some of those advising the president recommend that the campaign stress the importance of restricting sexual behavior to marriage, but this is not realistic. AIDS is too deadly to be fought with wishful thinking. Surgeon General Everett Koop argues, as a doctor, that schoolchildren should be taught early and explicitly about how to avoid contracting AIDS.

In the coming months it is going to be difficult to keep information about AIDS and sexual behavior from children. Condoms sold on television are already forcing parents to deal with these matters. But if children are to be protected in the long run, the subject cannot be kept hidden. It is possible to provide educational material appropriate for schoolchildren of different ages, and parent participation is desirable.

More than 17,000 Americans have already died of AIDS, and 1.5 million others are carrying the virus. It is too late to be prudish in discussing the crisis with youngsters. Education is the best self-defense.

— THE WASHINGTON POST

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OPINION



Debt in America: A High-Rising House of Cards

By Horace W. Brock

MENLO PARK, California — Here are a few reasons why some of the brightest people I know are worried:

In 1986, the U.S. Federal Deposit Insurance Corporation closed 138 banks, the most since the Depression and a fifth consecutive record.

Household credit card and mortgage default rates in America have reached their highest levels ever.

Corporate debt-service expense as a percentage of income has risen sharply because of leveraged buyouts and stock repurchases, while the annual default rate on junk bonds is currently at least twice its historical average of 1.6 percent.

Finally, the government's annual deficit has tripled since 1981, and the Gramm-Rudman-Hollings remedy is now seen as a sham.

And all this is happening when times are good.

The root problem is debt, too much debt. The best measure of national indebtedness is the ratio of total (private and public) debt to GNP. Between 1950 and 1981, debt remained at about 140 percent of GNP. Since 1981, all sectors simultaneously have gone on a borrowing binge, so that total debt is nearly 180 percent of GNP. This figure understates matters since it excludes a growing number of "contingent liabilities" that do not appear on the balance sheets of depository institutions.

What does today's private and public debt structure portend?

First, it increases the likelihood of some financial shock that could trigger a recession — for example, a money-center bank default or a string of junk bond defaults. Second, it im-

plies that the next recession will be worse than previous ones.

The reason lies in the likely response of businesses wedged between high debt-servicing costs and decreasing revenues: a fire sale of corporate assets that would greatly depress asset values, and hence the collateral of depository institutions as well. Layoffs could rise much faster than normal in a downturn, and consumer confidence could evaporate.

Recent events in the farm sector provide a microcosm for observing the dynamics of distress that accompany rising debt burdens and plunging asset values.

To cope with such a recession, government would clearly have to step up to bat. But when it did, we could expect government deficits to soar to \$400 billion during the next recession, if not higher.

Such deficits would result from normal cyclical revenue shortfalls and expenditures increases, as well as from the need to shore up the Federal Deposit Insurance Corporation, which insures bank deposits, and the Federal Savings and Loan Insurance Corporation, which insures deposits at savings and loan institutions, as well as the Farm Credit System.

As a corollary of these developments, the Federal Reserve Board would probably have to monetize the deficit ("create money") to a degree never before experienced, especially if a concomitant wave of defaults in major debt nations such as Brazil (which has recently suspended interest payments) imperiled money-center banks. In such an environment,

foreign and domestic participants in the American credit market might go on strike. This could lead to a vertiginous collapse in the dollar, and higher interest rates as well.

Curiously, some are not troubled by the recent growth of debt and what it may portend. Persuaded by today's free market ideology, they would let the unconstrained forces of supply and demand reign supreme in the debt market. After all, cannot "rational" market participants be counted on to assume the "right" amount of debt? No. Borrowers irrationally tend to take on too much debt, especially when times are good.

Kenneth Arrow, the Stanford Nobel laureate, recently suggested an analogy known as the Earthquake Insurance Paradox. As years pass since the time of the last big quake, people reduce their earthquake insur-

ance. Yet were they rational they would be increasing their coverage, since the probability of the next "big one" is increasing as time goes on.

Government reforms may thus be needed to save Americans from themselves. On the consumer front, household borrowing should be discouraged by eliminating the interest expense deductibility of second mortgages and home equity loans. On the corporate front, fresh policies are needed to make debt financing less appealing and equity financing more attractive. Finally, depository insurance institutions should be consolidated and reformed.

Such moves would not be welcome in today's anti-regulatory environment. But they may just be rational.

The writer is president of Strategic Economic Decisions Inc., a financial advisory firm. He contributed this column to The New York Times.

They Pocket the Golden Eggs From Somebody Else's Goose

By Daniel A. Rameck

WASHINGTON — I was curious as to what the view of one of the greatest moralists in America's history, Louis D. Brandeis, would have been on the seemingly endless disclosures of chicanery on Wall Street. Justice Brandeis (1856-1941) was known to some of his close friends and disciples as Isiah, because they saw in him the qualities of an Old Testament prophet.

After a lucrative period in private law practice in Boston, he became the "people's lawyer" and devoted the rest of his career to representing the unrepresented, afflicting the comfortable and instructing the nation in constitutional and moral values.

The answer to my question was not hard to find. Lewis J. Paper's biography contains a succinct statement of Justice Brandeis's philosophy of life — one in such stark contrast with that of the Wall Street felons now parading through the criminal courts as to show that he and they inhabited different moral universes.

Said Justice Brandeis to an interviewer: "Some men buy diamonds and rare works of art, others delight in automobiles and yachts. My luxury is to invest my surplus effort, beyond that required for the proper support of my family, to the pleasure of taking up a problem and solving, or helping to solve, it for the people without receiving any compensation. I have only one life, and it is short enough. Why waste it on things I don't want most? I don't want money or property most. I want to be free."

He did not stand in awe of financiers and investment bankers. In "Other People's Money and How the Bankers Use It," published in 1914,

he wrote: "The goose that lays golden eggs has been considered a most valuable possession. But even more profitable is the privilege of taking the golden eggs laid by somebody else's goose. The investment bankers and their associates now enjoy that privilege. They control the people through the people's own money. The fetters which bind the people are forged from the people's own gold."

Not was he much impressed by the stock market's frenetic climb to ever increasing heights in the bull market of the 1920s. A year before the great crash, he wrote: "This wild stock speculation far exceeds in height and endurance the limits which seemed to me possible. I still think the day of sorrow is not remote."

And after the day of sorrow had come and the depression had set in, when he was asked if he thought the worst was over, he replied, "Oh yes, the worst took place in the prosperous days before 1929."

So I think that those rapacious arbitrageurs, investment bankers, brokers and lawyers whose misdeeds are now being exposed and who have disgraced themselves, their families and the trades they ply would not have met with sympathy from Justice Brandeis in the light of his unwavering moral vision.

I believe he would instead have echoed with satisfaction the words of Franklin D. Roosevelt's first inaugural address: "The money changers have fled from their high seats in the temple of our civilization."

The writer, a partner in the law firm of Arnold & Porter, contributed this column to The New York Times.

LETTER TO THE EDITOR

Freud and Lamarck

Regarding "Freud's Fantasy on the Origin of Neuroses" (Science, Feb. 12):

Daniel Goleman, after noting the possibility that Freud was influenced by the thought of Lamarck, states that Lamarck's view that acquired characteristics could be passed on to successive generations has been "thoroughly discredited by modern genetics." Either Mr. Goleman is unfamiliar with recent scientific history or he chose to omit what he did know.

In the mid-1940s a biologist, also a prominent geneticist by that time, began a series of experiments with maize and corn. Her name is Barbara McClintock. It soon became evident that the conclusions to which her data inevitably led her smacked of Lamarck's inheritance of acquired characteristics. During the three-plus decades of this solitary endeavor she was progressively isolated from her scientific colleagues for her heresy.

By the end of the 1970s, sober colleagues were compelled, in the face of overwhelming data and evidence, to re-examine their position. In 1982 she was awarded a lifetime MacArthur fellowship. In 1983 a biography, "A Feeling for the Organism," was written by Evelyn Fox Keller, and at the end of that year Barbara McClintock was awarded the Nobel Prize for Medicine. The wide-ranging impact of her work on virology, developmental neurology, psychology and genetics has yet to be explored.

The history and philosophy of science are replete with such examples. We do not know what Freud would

now say about Lamarck's newly acquired respectability. But intuition is a respectable scientific tool: Descartes awoke from a dream and used its contents to create revolutionary mathematics. And it is a fundamental tenet of all scientific endeavor, including its reporting, to take account of all the available facts.

Professor LEBERT HARRIS, Division of Psychoanalysis, School of Medicine, University of South Carolina, Columbia, South Carolina.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Mutiny in Peking

PEKING — The mutinous soldiers tonight [March 1] are pillaging and burning the extreme northern and western sections of the city. Similar conditions are reported in the vicinity of Tientsin, where the mutineers are threatening to attack that city. These outbreaks are due to the recalcitrance of the Nanking politicians in insisting that Yuan Shih-Kai must take the oath of office as president there. Thus they are delaying the creation of a Government. The cause of the mutiny was the report that Yuan would leave for the South. The soldiers, expecting the disbandment of their commands, decided to loot the city. The attitude of the Republican leaders at Nanking cannot be attributed to any other reason than the desire of the Southern politicians to save their face for themselves. Their quibbling is endangering the Republic.

Philippines: New Space For the News

By Jim Hoagland

MANILA — The Congruent Dictators, as Ferdinand and Imelda Marcos are now called here, controlled or intimidated the nation's major newspapers and broadcasting stations for most of their 20-year rule. They were, in short, right in tune with many of their Third World peers.

With some notable exceptions, the rulers across Asia, Africa and Latin America have ensured that the media at home have not been sufficiently independent to obstruct their efforts at nation-building, massive theft or simple criminal neglect of their citizens, as the case may be.

Debates over the impact of the media on national security and on policy making have been largely confined to North America and Europe. Such debates are seen as a Northern Hemisphere luxury. Not surprisingly, though, that surprising woman, Corazon Aquino, is changing this with her notion of a "democratic space."

The democratic space is a transitional moment in Philippine political history that will tell us a great deal about the future of democracy as the media age begins to reach the Third World. Mrs. Aquino uses the phrase to describe the twilight zone that the Philippines is passing through, moving from the despotic Marcos period to the full freedoms which, she has told her 57 million countrymen, lie just over the horizon.

Still ruling by decree until a parliament is elected in May, she offers to both her followers and her opponents a new space for freedom of expression and political activity. She implies that it can expand or contract, depending on what they make of it.

She intends to survive by strengthening institutions, such as the press, that have a vested interest in centrist rule. Still enormously popular, Mrs. Aquino is a home-grown third force, resisting both the revolutionary left and the autocratic right by "living by prayers and governing by miracles," as a chagrined conservative opponent, Blas Ople, puts it.

She is thus defying the conventional wisdom that developing countries are too weak, too immature or too dedicated to some highest ideal to permit the kind of press freedoms that are routine in the West.

That she continues to face real dangers while doing this was brought home to me during a long conversation last week with an underground leftist operative who calmly described how her comrades would exploit the democratic space to undermine President Aquino.

An admirably disguised Carolina Malay-Orampo, known to her colleagues in the National Democratic Front and the Philippine Communist Party as Bobbi, adjusted her wig as I asked if the guerrillas' extensive exposure on television and in the press recently had won them new support from the urban middle class.

"The middle class likes to be loved. But it is hard for us to make reassuring noises. We have to get our message across through the media. It is O.K. for putting across a few general ideas, but you can't go into any depths," she said, adding, "We will put together a new package."

The judgment of diplomats and analysts in Manila is that the guerrillas ultimately were damaged by the extensive media attention, which has prompted them to cautiously acknowledge responsibility for assassinating a popular local politician and to outline radical economic programs that scared listeners.

Such a judgment is reassuring, suggesting that in the Third World as well as in developed countries the media function over the long haul as a mirror or a transmission belt for ideas that the public will judge correctly. But Bobbi does not accept that judgment. She says the guerrillas reached enough new listeners to justify the exercise, and that the left will be better for new cease-fires and access to the media, to put the insurgency on a pattern of fight, then talk, then fight again, etc.

"Third forces are temporary by nature," she said disdainfully of Mrs. Aquino's centrist program. "Social movements tend to polarize the situation. The Third force is useful in transitions, but they are usually a last resort. They appear at a time when the rulers are trying to postpone the real confrontation."

I listened uneasily as I realized that for Bobbi & Co. the democratic space was simply a target of opportunity, and that as an interviewer I occupied one small corner of that target. I doubted that, if Bobbi achieved her goal of bringing down Mrs. Aquino, there would be much future for a democratic space or for the comatose journalists like me occupy.

The Washington Post.

STORING ELECTRICITY
TOSHIBA
EUROBO
Australian-Dollar
Forty German
Last Week's
Currency

By CARL GEWIRTZ

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New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price and Week	Terms
FLOATING RATE NOTES						
Lives	\$150	1992	1/4	100	100.00	Over 6-month Libor. Noncallable. Fees 0.10%. Denominations \$100,000.
STARS	DM 300	1996	3/16	100	—	Over 6-month Libor until 1992 and 1/4 over thereafter. Callable at par in 1992. Fees 0.10%.
STRIPES	\$100	1996	0.20	100	—	Over 3-month Libor until 1992 and 1/4 over thereafter. Callable at par in 1992. Fees 0.20%. Denominations \$10,000.
FIXED-COUPON						
Crédit d'Équipement des Petites et Moyennes Entreprises	\$125	1992	7/4	101 1/4	99.25	Noncallable. Fees 18%. Denominations \$10,000.
Manufacturers Life Mortgage Securities	\$92	1993	7/4	101	—	Noncallable and collateralized. Fees 18%.
Manufacturers Life Mortgage Securities	\$148.5	1997	8 1/4	100 1/4	—	Noncallable and collateralized. Fees 2%.
Queensland Development Authority	\$100	1992	7/4	100 1/4	97.88	Noncallable. Fees 18%.
Christiana Bank	DM 150	1992	5 1/4	115 1/4	114.00	Noncallable. Each \$100,000 bond with 10 two-year warrants each giving right to buy \$200 of a fixed exchange rate of 1.83 marks per dollar. Breakdown exchange rate 1.98 marks per dollar. Fees 2%.
Den Danske Bank	DM 250	1993	5 1/4	100	97.35	Callable at 100% in 1992. Fees 26%.
Deutsche Bank Finance	DM 300	1993	5 1/4	100 1/4	98.90	Noncallable. Fees not disclosed.
Hogovens en Staalfabrieken	DM 150	1992	6	99 1/4	98.40	Noncallable. Fees 2%.
Isoland	DM 125	1997	6 1/4	100 1/4	97.25	Noncallable. Fees 26%.
National Bank of Hungary	DM 200	1994	6 1/4	100 1/4	98.25	Noncallable. Fees 26%.
Nippon Telegraph & Telephone	DM 300	1997	6 1/4	100	98.25	Noncallable. Fees 26%.
Banque Nationale de Paris	€ 50	1994	10	101 1/4	99.75	Callable at 100% in 1992. Fees 18%.
Mortgage Bank of Denmark	DK 500	1992	zero	59 1/4	57.63	Yield 11%. Noncallable. Proceeds 293 million kroner. Fees 18%.
Federal Industries	€ 40	1992	9 1/4	100 1/4	—	Noncallable. Fees 18%.
Newfoundland Province	€ 75	2007	9 1/4	101 1/4	99.38	Callable and redeemable at par in 1995 and 2001 when new terms may be set. Fees 2%.
Receipts for Government of Canada Bonds due 1994	€ 100	1994	8 1/4	100	98.13	Noncallable. Fees 2%.
Merco Canada Finance	€ 75	1997	9 1/4	101 1/4	98.88	Noncallable. Fees 2%.
Badische Kommune Landesbank	Aus 30	1992	1 1/4	101 1/4	99.38	Noncallable. Fees 2%.
BNW Finance	Aus 100	1992	1 1/4	101 1/4	99.50	Noncallable. Fees 2%.
Credit Suisse Finance	Aus 100	1992	1 1/4	101 1/4	99.38	Noncallable. Fees 2%.
Genossenschaftliche Zentralbank	Aus 40	1992	1 1/4	101 1/4	99.63	Noncallable. Fees 2%.
KB Finance	Aus 40	1992	1 1/4	101 1/4	99.50	Noncallable. Fees 2%.
PKBank	Aus 40	1992	1 1/4	101 1/4	—	Noncallable. Fees 2%.
GMAC Australia Finance	US\$ 50	1990	16	101 1/4	99.38	Noncallable. Fees 18%.
Caisses Nationales des Télécommunications	¥ 20,000	1994	5 1/4	102 1/4	100.25	Noncallable. Fees 18%.
China Int'l Trust & Investment	¥ 10,000	1992	1	101 1/4	—	Coupon will be 1% in first 2 years and 7 1/4% thereafter. Noncallable. Fees 18%.
Chugoku Electric Power	¥ 15,000	1993	5	101 1/4	100.13	Noncallable. Fees 18%.
Eurofima	¥ 20,000	1993	5 1/4	104 1/4	—	Noncallable. Fees 18%.
Ford Motor Credit	¥ 15,250	1992	5 1/4	104 1/4	—	Noncallable. Fees 18%.
Nippon Kōkan	¥ 30,000	1992	5	101 1/4	99.75	Noncallable. Fees 18%.
Oesterreichische Kontrollbank	¥ 13,000	1993	5	102 1/4	100.13	Noncallable. Fees 18%.
Royal Trustco	¥ 10,000	1992	5	101 1/4	99.63	Noncallable. Fees 18%.
Tokyo Electric Power	¥ 60,000	1992	4 1/4	101 1/4	99.88	Noncallable. Fees 18%.
EQUITY-LINKED						
Best Denki	\$70	1992	open	100	100.50	Coupon indicated at 3 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 26%. Terms to be set March 2.
Callor Communications	\$60	2002	6	100	100.50	Noncallable at 104 in 1989. Convertible at \$204 per share, at 25.1% premium. Fees 26%.
IJ International	\$75	2002	6 1/4	100	98.00	Callable at 104 in 1989. Convertible at \$204 per share, at 25.1% premium. Fees 26%.
Mitsubishi Estate	\$300	1994	open	100	105.50	Coupon indicated at 3 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 26%. Terms to be set March 3.
Omron Telsat Electronics	\$150	2002	open	100	98.50	Noncallable coupon indicated at 2 1/4%. Callable at 103 in 1992. Convertible at an expected 25% premium. Fees 26%. Terms to be set March 6.
Wyle Laboratories	\$25	2002	6 1/4	100	100.00	Callable at 103 in 1990. Convertible at \$194 per share, at 23.2% premium. Fees 26%.
WARRANTS						
Morgan Stanley (Jersey)	1.2	1989	—	\$21 1/4	\$21.25	For warrants exercisable at a 5% premium into a quarter of the value of shares underlying the Major Market Index traded on the American Stock Exchange, either in stock or in cash. Fees 26%.

Airlines Watching Texas Air's Battle With Eastern's Unions

By Martha M. Hamilton

Washington Post Service

WASHINGTON — Texas Air Corp. and the union workers at its Eastern Airlines unit are on the brink of a conflict whose outcome is expected not only to determine the future of Eastern and its employees but also to influence labor relations throughout the industry.

The struggle between Texas Air's chairman, Frank A. Lorenzo, and Eastern's unions promises to be long and hard-fought. The parent company has said it plans to cut Eastern's labor costs by \$400 million, or about 30 percent, and has begun what union leaders say is a campaign to pressure workers into concessions, a campaign the unions vow to resist.

Eastern's continued existence may turn on the outcome of the battle. Though he has promised the unions that he will maintain Eastern as a separate entity, Mr. Lorenzo could transfer the airline's assets and routes to Continental, a carrier merged from three largely nonunion airlines. An early battle

may occur over Eastern's announced intention to transfer six Airbus A-300 wide-body airplanes to Continental — a move that union leaders say they may try to block in court.

At the same time, competing airlines are interested in the outcome at Eastern. Texas Air's considerable cost advantage, resulting from some of the lowest salaries in the industry, has allowed Continental and Eastern to pressure their competitors. Currently, Eastern is offering discount fares so low that other carriers find it hard to match them.

"When you attend any of these airline meetings," said Louis A. Marcickano, an airline analyst with Janney Montgomery Scott Inc. in Philadelphia, "they all say they have to get their prices down and immediately refer to Continental's labor costs, but when you compare the other major carriers to each other, they're all pretty comparable."

"If they attempt to get their labor costs down to Continental's

level," he said, "it's probably going to be one big labor war over the next few years."

It might be more practical for someone to try to organize non-union workers at Continental, he said.

Mr. Lorenzo's name is frequently invoked in discussions between the management and unions of other airlines, a measure of the sway he has achieved over the industry in the past decade. Mr. Lorenzo has led the way in two major developments since the airline industry became deregulated in 1978: cost cuts and consolidation.

American Airlines' chairman and president, Robert L. Crandall, recently wrote to American pilots urging a resolution of differences over a contract there.

"At Continental, Frank Lorenzo enjoys block-hour costs of less than

half our own," he wrote. "The wage and benefit reductions which made this possible were not achieved by negotiation; they were the result of the financial failure of Continental and the subsequent imposition of very low rates and marginal working conditions."

Headed: "In our judgment, it is counterproductive for you to encourage tactics of the sort followed by" Frank Lorenzo.

American reached a tentative accord with its pilots Feb. 20. A spokesman for the airline said he could not disclose the details of the accord.

American pioneered one of the major cost-cutting moves in the airline industry in 1983 when it negotiated a contract with a two-tier salary structure. Under two-tier agreements, new hires are paid less than longer-term employees, even

when they are doing essentially the same work.

Airlines have been able to reduce their labor costs with two-tier agreements, but few airlines can match what Mr. Lorenzo has achieved at Continental.

"What Lorenzo has been famous for is not really taking on the unions at all," said Peter Cappelli, associate professor at the University of Pennsylvania's Wharton School and the author of a study of airline industrial relations after deregulation. "What he has been famous for is bypassing the unions."

In 1983, Mr. Lorenzo cut short negotiations with Continental's unions by filing for protection under Chapter 11 of the federal bankruptcy code, laying off workers and unilaterally slashing salaries. He also began New York Air as a non-union airline.

New Ontario Securities Rules Upset Canadian Government

Reuters

TORONTO — The Ontario government's formal introduction of draft rules to open up the securities industry has been met with concern by the Canadian government, which says the province is intruding into an area that should be left to federal authorities to regulate.

The rules, which are expected to become law on June 30, would allow banks and other financial companies in Ontario to own up to 100 percent of a brokerage firm or establish their own securities units.

Foreign institutions would be allowed to buy as much as 50 percent of a securities firm after June 30, 1987, and acquire complete ownership on June 30, 1988.

The proposals were announced late last year and introduced formally on Friday.

But the Ottawa government's minister of state for finance, Tom Hockin, said Friday that some of the functions that the Ontario Securities Commission proposes to regulate have traditionally been exempt from provincial regulation.

"The insertion of a second authority would lead only to confusion and uncertainty — and would not be helpful to the industry itself," Mr. Hockin said.

OIL: Gulf States to Meet on Sales Pact

(Continued from first finance page)

as among those producing above quota.

But Kuwait's oil minister, Sheikh Ali al-Khalifa al-Sabah, denied that the country was pushing above its daily quota of 948,000 barrels.

"If we can sell more than our quota at official prices, while some countries are suffering difficulties marketing their share," he said in the newspaper interview, "it means we in Kuwait are unusually clever."

He was apparently referring to Qatar, which industry sources said was selling fewer than 180,000 barrels a day of its 285,000 quota, because buyers were resisting official OPEC prices.

Oil ministers of the Gulf Cooperation Council agreed at their meeting on Feb. 22 in Doha, Qatar, that if any state had trouble marketing

INDIA: Problems Threaten Recent Economic Gains

(Continued from first finance page)

appears to have greatly benefited from the devaluation and deregulation measures that Mr. Gandhi announced in early 1985, shortly after taking office.

The greatest success story has been in taxes, where the prime minister, an avowed Socialist, nonetheless enacted sweeping tax cuts.

In two years, despite the tax cuts, corporate and personal income tax receipts jumped 40 percent, although at least part of the increase also resulted from a crackdown on tax evasion.

Businessmen and many economists, elated by these results, have repeatedly called on Mr. Gandhi to use the increased revenues to provide still more tax cuts to encourage more growth.

Instead, the prime minister plowed the money back into poverty programs, rural health care and education. Last weekend, he announced his new subsidies for housing for slum-dwellers and the urban middle class.

Critics see such steps as inconsistent with the need for industrial growth. But officials say that ignoring the needs of the poor would be short-sighted and politically unwise. "We can't be seen catering entirely to the business community," said an aide to the prime minister.

Businessmen and Western economists still seem impressed with the prime minister's intentions. They report that it is now easier to expand businesses or start new enterprises in many areas because of reduced government controls.

Subdued Demand Continues to Drive Down Borrowing Costs

(Continued from first finance page)

As the prime rate, currently at 7 1/2 percent, is a full percentage point over Libor, lenders are obliged to subscribe on a pro-rata basis. Likewise for the Ex-Im portion. Thus banks must divide their underwriting equally between the Ex-Im and Turkish portion and then divide the Turkish portion between Libor and prime pricing.

Turkey has one year to draw on the Ex-Im portion and two years to draw on the parallel credit. The commitment fee paid to lenders pending usage is 1/2 percent on both portions.

The city of Akureyri in Iceland is tapping the market for \$32 million to help finance its hot water system. The 10-year credit, in the form of transferable loan certificates, will bear interest of 17 1/2 basis

SELECTED U.S./E.C. QUOTATIONS

These are indicative prices as of Feb. 26, 1987

	BID	ASK
Bitter Corp.	3 1/4	3 3/4
Chiron	32	32 1/4
GoodWork Foods	1 1/4	1 1/2
MAG Holdings	5	5 1/4
NAVAR	2 1/4	2 1/2
Spectradyne	2 1/4	2 1/2

WITH COMPLIMENTS OF CONTINENTAL AMERICAN

These are indicative prices as of Feb. 26, 1987

points over Libor for the first four years and 20 basis points over Libor thereafter. A commitment fee of 7 1/2 basis points will be charged on any amount not drawn.

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BONDS: Bankers Worried by Australian-Dollar Issues

(Continued from first finance page)

stingy. The paper ended the week down a sharp 3 points from the offering level of 100 1/4.

Den Danske Bank's 5 1/4 percent coupon was also regarded as too low and the amount too big, pushing the price down 2 1/2 points.

The exceptions were Nippon Telegraph & Telephone's 300 million DM of 10-year bonds priced at par with a coupon of 6 1/4 percent. The terms were very tight, making the yield slightly more generous than West German government paper but less generous than the federal post office. The issue, designed to replace maturing government bonds, is the first from the newly privatized company.

NTT swapped the funds into floating-rate dollars at a cost of Libor and swapped that into fixed-rate yen at 4.3 percent, a saving of about 1/2 percentage point compared to what the company would have paid to borrow yen directly.

Deutsche Bank's 300 million of six-year paper was offered at 100 1/4 with a coupon of 5 1/4 percent. Allowing for the 1 1/4 percent selling commission, the paper yielded 5.7 percent, in line with the yield on the bank's domestic bearer bonds.

Christiana Bank's five-year notes — bearing a two-year currency option to buy dollars at a fixed rate of 1.83 DM — was also well received.

The European market was also active, with bankers reporting that Japanese investors were now concentrating on buying yen securities rather than taking an exposure in dollar currencies. Two Japanese is-

and Tokyo Electric Co. were estimated to have saved about half a percentage point by issuing Euroyen rather than domestic bonds.

There was very little activity in the dollar market. The only exception was in equity-linked issues, all of which were well received.

The market for perpetual floating-rate notes went through another crisis last week, its third since December, as prices tumbled sharply and half of the banks making markets pulled out, leaving only five banks quoting prices, down from 14 last year.

When Sweden began tapping the CP market, it was paying 10 to 12 basis points below Libid.

Companies with a triple-A rating on their long-term debt are currently able to issue CP at costs ranging from 6 to 12 basis points below Libid.

The third tier is companies whose short-term debt carries the highest A-1, P-1 ratings but whose long-term debt is below triple-A. These can raise money at a cost close to Libid.

The final tier is unrated paper — companies that have never sought a rating for either their long- or short-term debt. Depending on the name, the costs range from Libor (the interbank offered rate, which normally is 1/4 point higher than Libid) to Libor plus 20 basis points.

Bankers report an increasing demand for this latter category as investments shift out of the market for floating-rate notes, buffeted by the upset in perpetual notes and the flight from U.S. banks.

The latest unrated issuer to enter this market is a Norwegian finance company, Lefac, owned equally by Christiana Bank and Uni Insurance. Both owners have issued a so-called comfort letter assuring no change in ownership as long as Lefac's CP is outstanding. Christiana Bank and Morgan Stanley were appointed dealers to market as much as \$100 million of CP for Lefac.

Another unrated issuer, Virgin Group PLC, has appointed Citicorp and Lloyds to market as much as \$100 million.

BAT International Finance, car-

rying the guarantee of its British parent BAT Industries PLC, plans to issue as much as £200 million of CP, the largest program in pounds by a British company yet seen. County NatWest and Lloyds have been appointed dealers.

Sweden, meanwhile, is using the present lull in the market to renegot-

iate lower terms on a stand-by credit that has so far never been used. The size of the line is being cut by a third to \$1.2 billion, the life extended four years to 1995 and the fee reduced to 4 basis points for the first four years and 5 basis points for the final four years, down from the 6 1/4 basis points it had been paying.

However, if the line is drawn, Sweden will pay additional utilization fees of 2 1/2 basis points to draw 25 to 50 percent of the amount, 5 basis points for as much as three-quarters, and 10 basis points for more than that. The drawing charge was also cut, to 4 basis points over Libor.

In the syndicated loan market, South Korea, as expected has begun seeking lower terms on its debt outstanding. Korean Exchange Bank is seeking to reduce the charge on a \$500 million loan that was never drawn and which has only seven years still to run to 1/4 point over Libor for the first year and 3/4 point over Libor thereafter. This is down from the original 1 1/2 point over Libor for the first two years and 3/4 point over Libor thereafter.

The bank is offering a renegotia-

tion fee of 2 basis points. The commitment fee remains at 1/2 percent but the loan is expected to be drawn no later than April as South Korea steps up its prepayment of earlier, more expensive debt.

Turkey, the first big borrower to run into repayment difficulties and the first to re-establish its access to the market, has been using the lull in the syndicated loan market to step up its borrowing. The latest is a \$170 million, six-year loan, half of which is guaranteed by the U.S. Export-Import Bank.

Interest on the \$85 million guaranteed by the Export-Import Bank is set at 1/2 point over Libor. Half of the \$85 million guaranteed by Turkey will bear interest at

[illegible]

Modi	12.86
SpGm	17.13
Posti	15.39

品名	単位	数量	金額	備考
米	俵	100	1000	
小麦	俵	50	500	
大豆	俵	30	300	
粟	俵	20	200	
稗	俵	10	100	
高粱	俵	10	100	
玉米	俵	10	100	
芝麻	俵	10	100	
花生	俵	10	100	
油菜	俵	10	100	
棉花	担	10	100	
羊毛	担	10	100	
皮革	担	10	100	
木材	立方尺	100	1000	
煤炭	立方尺	100	1000	
石油	立方尺	100	1000	
天然气	立方尺	100	1000	
电力	千瓦时	100	1000	
电话	分钟	100	1000	
电报	字	100	1000	
报纸	份	100	1000	
杂志	份	100	1000	
书籍	册	100	1000	
文具	件	100	1000	
服装	件	100	1000	
鞋帽	件	100	1000	
化妆品	瓶	100	1000	
药品	瓶	100	1000	
食品	斤	100	1000	
日用品	件	100	1000	
玩具	件	100	1000	
体育用品	件	100	1000	
乐器	件	100	1000	
家具	件	100	1000	
家电	件	100	1000	
汽车	辆	100	1000	
飞机	架	100	1000	
轮船	艘	100	1000	
火车	辆	100	1000	
自行车	辆	100	1000	
摩托车	辆	100	1000	
拖拉机	辆	100	1000	
收割机	台	100	1000	
播种机	台	100	1000	
碾米机	台	100	1000	
磨粉机	台	100	1000	
榨油机	台	100	1000	
纺织机	台	100	1000	
缝纫机	台	100	1000	
洗衣机	台	100	1000	
电风扇	台	100	1000	
空调	台	100	1000	
热水器	台	100	1000	
燃气灶	台	100	1000	
抽油烟机	台	100	1000	
洗碗机	台	100	1000	
烘干机	台	100	1000	
熨斗	台	100	1000	
吸尘器	台	100	1000	
扫地机	台	100	1000	
空气净化器	台	100	1000	
加湿器	台	100	1000	
除湿器	台	100	1000	
取暖器	台	100	1000	
电暖器	台	100	1000	
电热毯	条	100	1000	
电热垫	条	100	1000	
电热宝	个	100	1000	
电热杯	个	100	1000	
电热壶	个	100	1000	
电热锅	个	100	1000	
电热饭煲	个	100	1000	
电热饮水机	个	100	1000	
电热插座	个	100	1000	
电热开关	个	100	1000	
电热保险丝	个	100	1000	
电热熔断器	个	100	1000	
电热断路器	个	100	1000	
电热漏电保护器	个	100	1000	
电热过载保护器	个	100	1000	
电热短路保护器	个	100	1000	
电热接地保护器	个	100	1000	
电热防雷保护器	个	100	1000	
电热防浪涌保护器	个	100	1000	
电热防电涌保护器	个	100	1000	
电热防电压保护器	个	100	1000	
电热防电流保护器	个	100	1000	
电热防功率保护器	个	100	1000	
电热防温度保护器	个	100	1000	
电热防湿度保护器	个	100	1000	
电热防压力保护器	个	100	1000	
电热防流量保护器	个	100	1000	
电热防速度保护器	个	100	1000	
电热防位置保护器	个	100	1000	
电热防角度保护器	个	100	1000	
电热防位移保护器	个	100	1000	
电热防振动保护器	个	100	1000	
电热防冲击保护器	个	100	1000	
电热防碰撞保护器	个	100	1000	
电热防挤压保护器	个	100	1000	
电热防剪切保护器	个	100	1000	
电热防拉伸保护器	个	100	1000	
电热防扭转保护器	个	100	1000	

(Continued on next page)

NASDAQ National Market

OTC Consolidated trading for week ended Friday

[illegible][illegible]

EUROPEAN COMMUNITY

Bonn and Commission Quarrel Over Farm Prices

By Peter Maass
International Herald Tribune

BRUSSELS — A major dispute has broken out between the West German government and the European Community Commission over proposed farm prices for 1987-88.

Ignaz Kischke, the German agriculture minister, said last week that the commission's plan to freeze prices and phase out currency-adjustment supports to farmers amounts to a "declaration of war" against Bonn.

"We are going to use all of the political, legal and financial means available to end this discrimination against German agriculture," he said. "We are ready for a fight if the proposals are not withdrawn."

His comments were only a bit more savage than the remarks of Chancellor Helmut Kohl in a letter to Jacques Delors, the commission president. EC sources say the letter described the farm proposals as one-sided and at odds with ideas that Mr. Delors outlined to Mr. Kohl during a recent meeting.

In effect, Mr. Delors was accused of misleading Bonn. Mr. Delors was said to be highly disappointed by this German offensive and exasperated at the increasingly unilateral positions that Bonn stakes out on farm issues.

West Germany's surprising dispute with the commission was illustrated by another unorthodox statement made by Mr. Kiechle. He criticized the two German commissioners, Karl-Heinz Narjes and Alois Pfeiffer, for not defending German interests.

Those remarks drew an angry reaction from the commission, which pointed out in a statement that the EC's founding treaty requires commissioners "to exercise their functions in complete independence and in the general interest of the community."

The commission added that the commissioners "do not solicit, nor accept, instructions from any government," and warned Bonn that the treaty calls on member states to "not seek to influence" the commissioners.

As if things weren't already bad

enough between Brussels and Bonn, the commission also decided last week, in a case involving Hoechst AG, that the West German government has failed to enforce EC competition rules in an adequate fashion. The commission is likely to take Bonn to the European Court of Justice.

Extension Given on Limit On Radioactivity in Food

After a prolonged wrangle, EC members decided last week to extend until Oct. 31 temporary limits on the amount of permissible radioactivity in food products.

The member states also said they would decide in June on permanent regulations to replace those imposed in May after the disaster at the Chernobyl nuclear power plant in the Soviet Union. The commission was asked to propose rules for ministerial adoption.

The limits that were extended allow for 370 becquerels of radiation a kilogram in milk and baby-food products. All other food can have as much as 600 becquerels of

Delors Calls for Members To Elect His Successor

Mr. Delors has called for his successor to be elected by national parliaments and the European Parliament.

Mr. Delors said in an interview with the French newspaper *Libération* that eventually the commission president should be elected by universal suffrage in the EC. Until that becomes possible, he said, the EC's 12 parliaments should name the commission president.

Currently, the head of the Brussels executive body is appointed by the member-state governments.

Mr. Delors, who believes that the 17-member commission is oversized, also said the group should be reduced to 12 members. He reportedly believes that decision-making on the commission is too cumbersome with 17 men sitting around the table.

GOLDMAN: Wall Street Roots for Freeman to Mount a Strong Defense


(Continued from first finance page)
er, is the fact that other Wall Street firms seem interested in how Goldman Sachs handles itself in a crisis that they, too, could face.

"There are people rooting for Freeman," said one trader. If Goldman Sachs fights, many on Wall Street reason, it may help slow down the storm that threatens to engulf the financial community.

Goldman Sachs itself is strongly supporting Mr. Freeman, permitting him normal access to his office, as well as time to consult with his lawyers.

"He was doing exactly what he should have been doing," is reportedly the rallying cry for Mr. Freeman being heard around the halls of Goldman Sachs. "They sell and publicize what he did," said one Wall Street source, referring to the interdepartment cooperation that allowed Mr. Freeman to work alongside the firm's mergers and acquisition team.

As head of Goldman's small but profitable arbitrage department, Mr. Freeman was active in betting on takeovers, and the ultimate worth of the stocks involved.



NYT

Goldman is said to have found no wrongdoing in an internal inquiry and to be vigorously helping Robert M. Freeman in his defense.

In the course of a day, these persons added, Mr. Freeman would normally be required to keep in touch with arbitrators at other rooms. And Mr. Siegel, who normally headed the mergers department at Kidder, Peabody but also acted as the informal head of its arbitration department, would have been a natural source of information.

In contested proxy battles, such as the one involving its client Unocal, Goldman's arbitrage department would have been even more active. Mr. Freeman would have been expected to contact other "arbitrars" who held large amounts of Unocal stock and try to persuade them to surrender their votes to management.

Whether Mr. Freeman crossed the ill-defined line between legal and illegal contact with the other arbitrators will probably be the hottest issue of the case. Goldman, critics, experts believe, will probably contend that even if Mr. Freeman surrendered information that he should not have, it was done innocently.



SEC Is Investigating Drexel, Jeffries, Steinberg in TRE Bid

By David A. Vise
Washington Post Service

WASHINGTON — The Securities and Exchange Commission is investigating the investment banking firm of Drexel Burnham Lambert Inc.; the stockbrokerage Jefferies & Co., the New York investor Saul Steinberg; and a company controlled by a Hollywood producer, Burt Sugarman, to determine whether securities laws were violated in connection with Mr. Sugarman's 1986 bid for control of TRE Corp., a California aerospace company.

Sources said the SEC's review of the TRE matter raises questions about economic relationships involving Drexel, Jefferies and other entities.

John Olson, an attorney in the Washington office of Gibson, Dunn & Crutcher, confirmed Friday that TRE recently was contacted by the SEC and is cooperating with the investigation. A Jefferies spokesman said the stock brokerage house also is cooperating with SEC investigators by providing certain documents.

Sources familiar with the TRE investigation said the SEC is looking at numerous possible violations of the securities law. These could include the purchase of TRE stock on the basis of confidential, inside information about a coming takeover bid; the formation of an illegal "group" that purchased TRE shares and put pressure on the company's management; the "parking" of TRE stock to conceal its true ownership; and the filing of false financing documents with the SEC.

begin again after the government announced its \$100 million insider trading case against Ivan F. Boesky in November, is part of a broad SEC review of Wall Street stock trading and corporate takeover practices.

■ SEC Challenges Jefferies

Jefferies said Friday that the SEC has changed the way the firm listed a \$5 million loss on its 1986 financial statements, the Los Angeles Times reported from New York. The loss resulted from a legal settlement paid partly by its chief executive officer, Boyd Jefferies.

A Jefferies spokesman said the firm disputes the agency's interpretation. SEC spokesmen had no comment.

If the SEC prevails, the effect of the change would be to reduce pre-tax profit by \$3.8 million, and after-tax earnings by an undetermined amount.

Jefferies earned \$13.7 million for 1986 and \$4.3 million in the fourth quarter. Before taxes, the company earned \$25.8 million for the year and \$7.7 million in the quarter.

International

	Cen	Mkt	Price	Yld	Mt	Our	Yld
	(Continued)			%	\$ mil		%
All Japan Air	9	95	104 1/4		7.92	8.67	
Asahi	19	92	110	3.38	3.28	3.48	
FNC	94	92	108 1/4		7.54	8.47	
NIPPON	19	92	110	3.38	3.28	3.48	
NFC	94	95	107 3/4		8.21	8.67	
PNC	94	95	107 3/4		8.21	8.67	
SBC	70	93	108 1/4		7.84	7.21	
TSC	94	95	107 3/4		8.21	8.67	

Wall Street Review[illegible]

Euromarts At a Glance

	Feb. 25	Feb. 14
U.S. 5 1/4% bond, 5 yrs & over	8.11	8.34
public issues, 5 yrs & over	8.16	8.15
industrial, 5 yrs & over	8.17	8.18
5 1/4% to 7 yrs	8.20	8.30
French sterling, less than 3 yrs	10.24	10.41
French franc, less than 3 yrs	9.29	9.54
ECU, 5 yrs & over	8.23	8.27
5 to 7 yrs	8.04	8.12
Con. 5, 5 to 7 yrs	9.31	9.49
Aus. 5 to 7 yrs	14.14	12.83
N.L. 5, less than 5 yrs	16.63	15.89
Yen, 5 yrs & over	5.67	5.69
5 to 7 yrs	4.94	5.23

Source: Luxembourg Stock Exchange.

Weekly Sales		Feb. 27	
Primary Market			
	Cad-1		Eurolcar
	\$	Units	\$
Straights	94.00	1,478.28	1,028.40
Cooper	5.40	---	99.40
			1.70

[illegible]

International Bond Prices

Issuer	Can	Mat	Price	Yld	Mat	Gr	Yld	Issuer	Can	Mat	Price	Yld	Mat	Gr	Yld
(Continued)															
All Nippon Air	9	95	1064	7.98	1067			Philipp Morris	7 1/4	89	1094	7.55	730		S E D F
Amstar	9 1/2	92	1110	8.20	1067			Phillips Int'l	7 1/2	89	1094	8.30	872		E D F
Amstar P&C	9 1/2	92	1110	8.20	1067			R B Reynolds	8 1/4	91	1079	7.55	820		Euroworld
CFBC	9 1/2	92	1021	8.21	844			Robinson NI	7 1/4	89	1094	7.55	820		Euroworld
ENP	9 1/2	92	1021	8.21	844			S A S	9	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld
ENP	9 1/2	92	1021	8.21	844			S I	9 1/2	95	1094	8.10	865		Euroworld</

